Attachment 2

Dimensional

CalPERS Emerging Markets Company Report

As of December 2005

Emerging Market Manager Company Reports

Table of Contents

1. Section One - Dimensional's Investment Process

Dimensional has a quantitative and qualitative screening process to deliver focused exposure to emerging markets countries and companies. In addition to our quantitative and qualitative screening process, KLD Research & Analytics, Inc.'s specific screening expertise is applied to address issues associated with social responsibility, labor relations and human rights. These include screening companies that are in violation of The Global Sullivan Principles or do not adhere to the ILO Declaration of Fundamental Principles and Rights to Work.

KLD monitors the social records of thousands of publicly traded U.S. and international corporations and utilizes its in-house research and database. The data comes from a variety of sources including online resources, public documents and information from non-governmental organizations and trade unions. In addition, a questionnaire was developed by KLD to collect company level information. KLD utilizes this questionnaire to conduct an annual survey of companies. Companies not meeting quality standards would be excluded from our investment universe.

Below are Dimensional's quantitative and qualitative screening measures in addition to those used by KLD to meet CalPERS overall screening criteria.

Country Specific Screening

Quantitative & Qualitative Evaluation:

- Political Stability
- Well-Organized Trading (Market Regulation and Volatility)
- Liquidity & Currency Risk
- Number of Publicly Traded Companies
- Commitment to a Free Market Economy (Transparency / Free Press)
- Legal System (Property rights, Contracting, Shareholder Rights)
- Treatment of Foreign Ownership (Taxes, Ownership and Repatriation of Capital Restriction)
- Payment vs. Delivery Trading System

Company Specific Screening

Quantitative & Qualitative Evaluation:

- Capitalization
- Ownership Structure (Government, Insiders, Cross-Ownership)
- Sufficient Float
- Trading Liquidity / Transaction Costs
- Price of Foreign Shares vs. Local Shares
- Local Shares vs. ADR
- Financial Distress
- KLD Screening (Human Rights, Labor Relations, Corporate Social Responsibility)

KLD Company Screening

KLD evaluates companies for adherence to the labor relations, human rights and Corporate Social Responsibility (CSR) standards embodied by the Global Sullivan Principles and ILO Core Conventions. KLD assists DFA in determining which companies are appropriate for investment by designating each company a "Pass", "Fail?" or "Fail" status.

The "Fail" status is reserved for companies that are the most egregious violators of screening standards. KLD determines whether a standard has been violated using the following criteria. Generally, companies that fail include those that:

- Recently faced allegations of using, or were otherwise involved with controversies regarding, forced or child labor (*ILO* (b and c)).

- Are, or have been, involved in serious controversies with indigenous peoples, particularly in cases where the company has not respected the sovereignty, culture, human rights, and intellectual property of these peoples (*Global Sullivan* (a and g)).

- Are, or have been, the subject of major recent controversies related to employee relations and labor standards (*Global Sullivan* (a, d, and e)).

- Exhibit a pattern of major health and safety violations, particularly if they involve employee fatalities (*Global Sullivan* (e)).

- Have faced major recent allegations of sex or race discrimination as well as discrimination lawsuits, particularly when there appears to be a pattern of discrimination (*Global Sullivan* (b) and *ILO* (d)).

- Exhibit a pattern of notably poor relations with labor unions or have suppressed their employees' right to collective bargaining (*Global Sullivan* (c) and *ILO* (a)).

- Are, or have been, involved in major controversies concerning their negative impact on a community. These controversies adversely affect the quality of life in the community and can include issues related to environmental contamination (*Global Sullivan* (e and g)).

- Exhibit a pattern of environmental regulatory problems, particularly ones that have resulted in substantial fines and penalties (*Global Sullivan* (e)).

- Exhibit a pattern of corrupt business practices, including bribery and fraud (*Global Sullivan* (f)).

- Are, or have been, involved in major human rights controversies not covered by any of the above criteria, such as the manufacture of landmines.

Failure to adhere to the Global Sullivan Principles regarding transparency and the promotion of the application of these principles (h and i) is to be gauged by company responses to the questionnaire and by whether or not they publish reports on sustainability, diversity, supply chain policies or factory audits, and environmental performance.

It is difficult to judge whether or not a company's involvement in a certain controversy or issue constitutes a failure to adhere to the screening standards. In these cases, KLD assigns a "Fail?" (tentative fail) designation to companies that, while raising serious concerns, may not clearly violate any of the above criteria. These companies are tracked on a Watch List. This status alerts DFA to the company's problem(s) and serves as a basis for further consultation on the advisability of investment.

2. Section Two - Dimensional's Holdings by Country

Country and Company Screening Summary

DFA Approved Countries:

Brazil	India	Poland	South Korea
Chile	Indonesia	Malaysia	Taiwan
Czech Republic	Israel	Mexico	Thailand
Hungary	Philippines	South Africa	Turkey

DFA Approved Companies for CalPERS Emerging Market Portfolio (As of 12/31/05):

	Number of Companies
Initial Universe	657
Asset Class Concerns	61
Investment Funds, Government Controlled, Holding Companies, Regulated Utilities	
Eligible Universe	596
Pricing Concerns	35
Foreign Restrictions or Premiums, Distressed/In Bankruptcy, Suspended, Delisted, Merger/Target of Acquisition or Acquired	
Trading Concerns	71
Exchange Consideration, Insufficient Liquidity, Newly Listed or Short Trading History, Insufficient Float	
Miscellaneous	43
Under Consideration, PFIC Tax Implications	
Non-Value Companies	0
Total Exclusions	210
Initial Universe minus Total Exclusions:	
Current Buy List	**447**

Dimensional

KLD Screening Summary

	Number of Companies		
	Pass	**Fail?**	**Fail**
Brazil	27	7	0
Chile	19	3	0
Czech Republic	5	0	0
Hungary	5	0	0
India	31	8	3
Israel	17	0	0
Korea	22	22	6
Malaysia	39	5	7
Mexico	26	5	3
Philippines	10	0	0
Poland	14	1	1
South Africa	31	1	4
Taiwan	107	6	4
Thailand	3	5	3
Turkey	16	0	0
Total	**372**	**63**	**31**

Dimensional

Brazil

ARCELOR BRASIL SA, Iron/Steel B0R8PP6

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Formerly known as Belgo Mineira. **Labor Standards**: Belgo Mineira was one of several Brazilian steel-makers accused of labor violations by the attorney general's office for labor affairs in Brazil's southeast state of Minas Gerais in January 2004 (including precarious working conditions and irregularities in work contracts handed out to charcoal producers.) Groups like the Brazilian NGO Observatório Social have reported that much of the charcoal used to manufacture pig iron in Brazil is produced by enslaved and degraded workers in the Amazon. Pig iron is then used to produce steel. Human rights organizations have expressed concern over the problem and criticized companies for not doing more to verify that their suppliers do not use slave labor.; 55% owned by Arcelor SA, a Luxembourg steel co. **Employee Safety**: Arcelor’s Cockerill-Sambre unit was brought before the penal court of Liege, eastern Belgium, in September 2004 to account for the circumstances around an accidental blast that occurred in October 2002 at a Cockerill-Sambre cokery, killing three and injuring 26 staff. **Union Relations**: In December 2005, workers at Arcelor's Cockerill Sambre works in Liège went on strike for seven days following a general 24-hour strike. The workers went on strike to protest a management decision to freeze payments after workers breached a provision of their two-year contract to not strike.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**40**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Brazil

BRASKEM S.A. Chemicals 2225878

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Odebrecht controls 48% of Braskem. **Union Relations**: General petrochemical workers strike in 2004; work stoppages at several Brazilian petrochem plants, including those of Braskem, in September 2003; Braskem workers staged a protest against job cuts in September 2002. **Environment**: In August 2000, Odebrecht's Odebrecht Contractors of Florida division agreed to pay $4 million in fines for allowing workers to dump concrete and other building debris into Pensacola Bay. The company pled guilty to three Clean Water Act misdemeanor charges involving negligent discharge. **Diamond mining**: Catoca, jointly owned by Odebrecht, Angola's Endiama, and Russia's Almazy Rossii-Sakha, operates diamond mines in Angola. A June 2004 Financial Times article reported on the exploitative and life-threatening working conditions suffered by freelance miners, or garimpeiros, in Angola. The article reported that local leaders say the diamond industry has not benefited the region, and that diamond companies like Catoca employ security companies, some of which have been accused of brutally evicting garimpeiros. Companies also allegedly restrict locals' access to farmland, endangering the region's only other big industry.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**42**	

* Note – Please see Section 4 for Ratings Definitions.

Brazil

CIA SOUZA CRUZ., Agriculture 2832148

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Souza Cruz is a tobacco company. **Employee Safety Practices**: In 2002 Christian Aid published a report concluding that Souza Cruz (and its parent BAT) controls the livelihoods of 45,000 small scale farmers through contracts which force them into farming methods relying on the use of highly toxic pesticides. The report alleges that Souza Cruz profits from its pesticides sales while failing to properly train or warn growers of all the dangers. The growers complain that the company frequently underwrites loans to individual farmers, securing credit from the Brazilian government in their names. Often, they allege, this is arranged without the farmers' knowledge. Christian Aid in a non-profit agency of the churches in the UK and Ireland. In January 2004, Christian Aid published another report that raised similar concerns about the health and safety of family farmers who grow tobacco for BAT in Kenya; Souza Cruz has also been criticized for using growing methods that damage the environment. In 2002, a tobacco farmer who claimed to have been made permanently ill as a result of growing tobacco sued Souza Cruz. The company denies responsibility, saying that the farmer was an independent contractor, not an employee, and that they gave him training, advice and proper protective clothing for using pesticides to grow tobacco.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**41**	

* Note – Please see Section 4 for Ratings Definitions.

<table>
<tr><th colspan="3">Brazil</th></tr>
<tr><th colspan="3">CIA VALE RIO DOCE, Mining 2257127</th></tr>
<tr><th>CalPERS Policy</th><th>Company Score 1-3*</th><th>Significant Factors Considered</th></tr>
<tr><td>1. Transparency, including elements of a free press necessary for investors</td><td>2</td><td rowspan="20">Environment: In April 2005, Brazilian authorities fined Ferrovia Centro-Atlantica, a train company controlled by CVRD, 5 million reals (US$2 million) for an oil spill from a crashed train. The oil spilled from a 36-wagon cargo train that went off the rails, polluting sensitive mangrove swamps and flowing into the Guanabara bay. In May 2004, Brazil's environmental agency Ibama fined CVRD US$634,900 for environmental damage caused by its copper mining activities at the Sossego mine in the Carajás region of northern Pará state.; Two environmental fines in 2003 for spills caused by train derailments--June 2003 fine was for US$3.5 million.

Indigenous Peoples: In November 2004, CVRD and Alcan Alumínios do Brasil were accused of human rights violations by Brazilian NGO Global Justice Centre in collaboration with the CPT (Comissão Pastoral da Terral-Pastoral Land Commission) and a local civic movement called MAB. A study conducted by these groups concluded that CVRD and Alcan used "strong psychological pressures and threats" in negotiations with inhabitants of São Sebastião do Soberbo, in Minas Gerais state, to get them to evacuate their homes near the Candonga hydroelectric dam, and broke their agreement with the inhabitants to implement economic and social projects to improve the population's living conditions after their homes were flooded during the construction of the dam.

Labor rights: In June 2004, Brazilian NGO Observatório Social released a report accusing steel companies such as Gerdau and CVRD of indirectly benefiting from slavery to produce pig iron. The report outlined claims that the charcoal used by Brazil’s steel companies comes from thousands of small charcoal producing plants in the Amazon that utilize slave labor, and that CVRD supplies the iron ore and logistics needed for the export of pig iron from Brazil. CVRD responded to the report by saying that it sells iron ore and logistics to the steel companies according to market needs, because it is the only supplier of this raw material in Brazil.</td></tr>
<tr><td>2. Political stability</td><td>2</td></tr>
<tr><td>3. Progress towards the development of basic democratic institutions and principles</td><td>3</td></tr>
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<tr><td>18. Trading and settlement proficiency</td><td>3</td></tr>
<tr><td>19. Transaction costs</td><td>2</td></tr>
<tr><td>Company Total score:</td><td>40</td></tr>
</table>

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Brazil

GERDAU SA SIDERURG, Iron/Steel 2645517

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	**Labor Relations**: Gerdau was one of several Brazilian steel-makers accused of labor violations by the attorney general's office for labor affairs in Brazil's southeast state of Minas Gerais in January 2004 (including precarious working conditions and irregularities in work contracts handed out to charcoal producers). The company has denied the allegations. In June 2004, Brazilian NGO Observatório Social released a report accusing steel companies such as Gerdau and CVRD of indirectly benefiting from slavery to produce pig iron. The principal requirements for the production of pig iron are charcoal and iron ore. The report outlined claims that the charcoal used by Brazil’s steel companies comes from thousands of small charcoal producing plants in the Amazon that utilize slave labor. The report claimed that Gerdau’s Margusa subsidiary had been accused by the federal labor attorney of using slave labor in illegal charcoal producing operations (see above), and that the relation of Margusa with the charcoal workers violated the ethical principles adopted by Gerdau. In response to the report, Gerdau emphasized that the charge of labor rights violations was filed against a service supplying company, and said that it could terminate its contract with the supplier, but that this would only lead to instability in the region. In May 2005, Gerdau Ameristeel locked out about 270 workers from their jobs at a Beaumont, Texas, plant, citing no progress in contract talks begun in January. Gerdau Ameristeel is 72% owned by Gerdau SA. In December 2005, Gerdau Ameristeel ended its 6-month lockout despite the lack of a new labor contract. The company had been using salaried workers to operate its rolling mill since October and vowed to continue discussions with the union on a final settlement.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**40**	

* Note – Please see Section 4 for Ratings Definitions.

Brazil

TRACTEBEL ENERGIA, Electric B07C763

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Majority owned by Suez SA through its subsidiary Tractebel. **Controversial Projects**: Suez Tracetebel is involved in the controversial Camisea gas project in Peru. The project is located in the southeastern Peruvian Amazon and covers the legally recognized and titled territory of several nomadic, isolated, and uncontacted indigenous peoples. NGOs have criticized the project on environmental and human rights grounds. In December 2005, Oxfam reported that the Camisea gas pipeline in Peru had suffered its fourth spill in only 15 months of operation, and that to protest the latest spill, three indigenous federations representing communities located along the Urubamba River blocked river traffic for 15 days. In 2005, MAB, a local NGO representing dam-affected peoples, held protests against what it sees as the lack of completion of social programs in the communities surrounding the Cana Brava plant operated by Tractebel Energia. MAB alleges that Tractebel did not carry out the programs for the local population as agreed. **Corruption**: In December 2001, Friends of the Earth released a paper on the environmental and social records of four water companies including Suez. Concerning Suez, the paper cites different examples of corruption cases. For example, Suez, through its subsidiary Dumez International, was charged with bribing a top official in the South African Lesotho Highlands Water Project in order to gain project contracts. **Environment**: The company reports that there were 94 complaints and 22 judgments in 2003 relating to environmental damage, for a total amount of EUR 1.5 million.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
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14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**42**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Brazil

VOTORANTIM CELULOS, Forest Products&Paper B04M7M2

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	55% owned by Grupo Votorantim, and owns 28% if Aracruz Celulose. Votorantim and Aracruz Celulose operate eucalyptus plantations in rainforest areas of Brazil. This practice has at times been opposed by environmentalists and indigenous peoples. **Controversial Projects**: Through its Companhia Brasileira de Alumina subsidiary, Grupo Votorantim owns 15% of BAESA, the international consortium responsible for the Barra Grande dam. There has been ongoing controversy since the beginning of the construction of the Barra Grande Dam. In December 2004, the Movement for Dam-Affected Peoples and approximately 800 families affected by the construction of the dam mobilized in a protest march over the deforestation of the area and the lack of indemnity for those who lost their land. In January 2005, the Movement for Dam-Affected Peoples agreed to lift their protest after BAESA agreed to expand its compensation program for the displaced families. At this time, environmental groups pledged to continue opposing the project. In June 2005, two NGOs, Land of Rights-Organization of a Civil Society for Human Rights and the Movement for Dam-Affected Peoples (MAB), accused Votorantim’s Companhia Brasileira de Alumina subsidiary and Alcoa of violating directives for multinational organizations established by the Organization for Economic Cooperation and Development (OECD) by using an environmental impact study (EIS) made in 1999 that allegedly contained fraudulent data. The EIS was carried out by Engevix Engenharia for the construction of the Barra Grande hydroelectric project. In March 2005, Brazil's federal environmental protection agency Ibama fined Engevix Engehnaria US$3.6 million for allegedly omitting information from the EIS that revealed the true real impact of the plant's construction.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
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17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**42**	

* Note – Please see Section 4 for Ratings Definitions.

Chile		
BCO SANTANDER-CHIL, Banks 2000257		
CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Subsidiary of Santander Central Hispano (Spain). **Corrupt Business Practices**: In January 2005, Fair Finance Watch (FFW) reported that Banco Santander Chile's parent company, Banco Santander Central Hispano, was identified as having participated in potential money laundering from 2000 to 2003. In compliance with Spanish law, the company has refused to disclose information about certain bank accounts to Riggs Bank. Charges against Riggs Bank, which Riggs agreed were accurate, stated that Banco Santander Central Hispano accepted $26.4 million in deposits from Riggs Bank from 2000 to 2003 from Equatorial Guinea oil royalty accounts. The transfers from Riggs Bank then went into the Kalunga Company's bank account at Banco Santander in Madrid, Spain. Equatorial Guinea was overthrown by a military coup in 1979 and has remained under its control since that time.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

Chile

EMP NAC ELECTRICID, Electric 2299356

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Known as Endesa Chile; 60% owned by Enersis. **Controversial Projects**: Endesa Chile owns the controversial Ralco hydroelectric dam project on the Bio Bio River in Chile; dam's reservoir will flood the lands of 100 Pehuenche Indian families and alter the area's ecosystem; project had been strongly contested by many Pehuenche as well as by environmental groups, but in September 2003, Endesa Chile reached agreements with the remaining Pehuenche families who were contesting the project); In July 2004, Chile's court of appeals upheld a US$59 million fine imposed upon the former CEO of Enersis and five of his associates for falsifying operations in Endesa Spain's acquisition of the control of the Enersis holding in 1997 known as Operation Chispas; strike in 1999, layoffs in 2000 and 2001.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

Chile

ENERSIS SA, Electric 2299453

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Owns 60% of Endesa Chile and is 65% owned by Endesa SA. **Controversial Projects**: Endesa Chile owns the controversial Ralco hydroelectric dam project on the Bio Bio River in Chile; dam's reservoir will flood the lands of 100 Pehuenche Indian families and alter the area's ecosystem;project had been strongly contested by many Pehuenche as well as by environmental groups, but in September 2003, Endesa Chile reached agreements with the remaining Pehuenche families who were contesting the project. **Corrupt Business Practices**: In July 2004, Chile's court of appeals upheld a US$59 million fine imposed upon the former CEO of Enersis and five of his associates for falsifying operations in Endesa Spain's acquisition of the control of the Enersis holding in 1997 known as Operation Chispas. In July 2005, a Chilean court ordered former executives of Enersis to pay outstanding fines relating to alleged offences surrounding the sale of the executives' shares in the holding company to Endesa Spain.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
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14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

India

GLAXO SMITHKLINE Pharmaceutical 6117982

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	GlaxoSmithKline Pharmaceuticals Ltd. is 59% owned by GlaxoSmithKline PLC. **Ethics**: In May 2004, the Italian police asked for at least 273 GSK employees (or former employees) and more than 4,000 doctors to be put on trial following an investigation into alleged bribes given to Italian doctors to persuade them to use the company’s products. A network of South African patients' organizations, supported by the California -based Aids Healthcare Foundation (AHF), started legal action against GlaxoSmithKline in August 2004 to try to reduce the price of patented AIDS drugs. In December 2003, GSK settled a similar action from another organization, the Treatment Action Campaign, by agreeing to allow three companies to produce cheaper generic versions of its drug Combivir. **Discrimination**: In October 2004, the U.S. EEOC filed a lawsuit against GlaxoSmithKline alleging that the company improperly fired a temporary contract employee at its Conshohocken, Pennsylvania, facility in 2003, three months after learning that the woman was pregnant. **Employee Relations**: In October 2004, SmithKline Beecham Corp. agreed to pay $5.2 million to settle an ERISA (Employee Retirement Income Security Act) class-action lawsuit brought by workers who said they were improperly labeled as temporary and therefore denied pension benefits despite working full time for months or years. **Environment**: In October 2004, the European Commission named several firms, including GlaxoSmithKline, as among the biggest industrial polluters in Europe and warned they could face penalties for illegal discharges. **Product Safety**: Like most major pharmaceutical companies, GSK has faced product safety litigation. Most recently, in August 2004, GSK agreed to settle a lawsuit brought by New York Attorney General Eliot Spitzer for $2.5 million and promised to publish summaries of all of its drug trials in a registry. In June 2004, New York Attorney General Eliot Spitzer filed a lawsuit in New York State Supreme Court accusing GSK of "repeated and persistent fraud" for concealing problematic issues of efficacy and safety when children use the company's drug Paxil for treating depression.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

India

HINDALCO INDS, Mining 6100142

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Part of Aditya Birla Group. **Controversial Projects**: Through its subsidiary Indal, Hindalco Industries has a 55% interest in the Utkal Alumina project, a joint venture that is developing a bauxite mine and alumina refinery in the State of Orissa, India. The Utkal project has been the subject of opposition from local residents. According to Project Underground and CorpWatch, local villagers have been protesting the displacement and relocation associated with the project, as well as the alumina refinery's use large quantities of scarce water. The Norwegian NGO Norwatch reports that it has collected accusations by local residents of instances of government violence and coercion into accepting relocation. Protests against the project have also been surrounded by violence. CorpWatch reports that, in January 1998, 17 tribal people from the Kucheipadar district were injured when the police attempted to tear down a roadblock set up to prevent access for Utkal employees to the village lands. According to Project Underground and CorpWatch, in December 2000 three community members were killed and eight others were seriously injured when the police "repressed" a meeting of about 40,000 members of 15 villages in Maikanch. These villagers were planning a blockade against the entry of personnel from the mining company into their lands. As of August 2003, the elected councils of 19 of the 24 villages affected by the project had signed motions in support of the project and the project partners had been in discussion with the councils of the remaining villages. According to press reports, in June 2003 Indal announced that the project had "overcome local resistance" and construction could begin by October 2003. **Burma**: The Birla Group has international trading operations in Burma.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

India

HINDUSTAN ZINC, Mining 6139726

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	53% owned by Sterlite Industries. See Sterlite Industries. Hindustan Zinc reduced its workforce by 20% in 2001.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

India

NESTLE INDIA, Food 6128605

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Nestle India is a 62% owned subsidiary of Nestle SA. **Union Relations**: Nestle SA has had a history of acrimonious relations with its unions in the Philippines and Japan, as well as some problems in South Korea and Colombia. **Burma**: Nestle SA distributes its products in Burma through a third party. **Discrimination**: In June 2003, a California jury upheld an earlier court decision that Nestle USA had discriminated against a former employee on the basis of his age, and awarded him $5.1 million in damages. **Infant formula**: Nestle is involved in a controversy concerning the marketing of infant formula. The International Baby Food Action Network (IBFAN) reports that Nestle has violated the International Code of Marketing of Breastmilk Substitutes (the ICMBS) in its infant formula promotions to the public, to health care workers, and to facilities. **Child labor**: Since 2001, the problem of child labor in cocoa plantations in the Ivory Coast has received worldwide attention. Nestle has cocoa processing operations in the Ivory Coast and has become a member of several industry groups that are trying to address this problem. **Water**: Nestle is involved in a number of controversies with communities concerning local water supplies.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**46**	

* Note – Please see Section 4 for Ratings Definitions.

<table>
<tr><th colspan="3">India</th></tr>
<tr><th colspan="3">RANBAXY LABS, Pharmaceuticals 6101071</th></tr>
<tr><th>CalPERS Policy</th><th>Company Score 1-3*</th><th>Significant Factors Considered</th></tr>
<tr><td>1. Transparency, including elements of a free press necessary for investors</td><td>3</td><td rowspan="20">Burma: Ranbaxy has operations in Burma.

HIV/AIDS drugs: Ranbaxy pioneered the supply of generic versions of HIV/AIDS drugs in poor countries, particularly Africa, which was supported by AIDS activists who saw them as a cheap alternative to branded medicines. However, Western drug makers and U.S. government officials have questioned whether such products are necessarily of the same standard as the originals.

Bribery: In October 2005, an independent inquiry into the U.N. Oil for Food (OFF) Programme released a report identifying thousands of companies that allegedly paid illegal surcharges, or kickbacks, to Saddam Hussein’s government in Iraq. Ranbaxy was one of the companies named in the report.

Other Product Issues: As of March 2005, the UK’s Serious Fraud Office intended to file criminal charges against senior corporate executives implicated in a suspected drugs price- fixing fraud on the National Health Service. The pending criminal charges are related to civil proceedings brought by the U.K. Secretary of State for Health against several generic drug companies, including Ranbaxy, alleging that various combinations of the companies colluded to manipulate and inflate the prices of three sets of drugs. In April 2005, Ranbaxy was the first of the defendants to settle the claims brought against it in connection with the supply to the UK’s National Health Service of generic drugs between 1996 and 2000. Ranbaxy agreed to pay £4.5 million and to provide co-operation in the context of the ongoing proceedings. In January 2004, the company was one of seven companies that were collectively fined £30 million for price fixing generic drugs between 1997 and 1998. In September 2003 India's National Pharmaceutical Pricing Authority fined the company $11.5 million for over pricing essential medicines. In September 2003, the Haryana government's department of health prosecuted Ranbaxy Laboratories and Okasa for overpricing life saving drugs.

Safety: In June 2003, a major fire and a series of explosions at the Ranbaxy Laboratories pharmaceuticals factory at Mohali, India, left five dead and 18 injured.</td></tr>
<tr><td>2. Political stability</td><td>3</td></tr>
<tr><td>3. Progress towards the development of basic democratic institutions and principles</td><td>3</td></tr>
<tr><td>4. Strong and impartial legal system</td><td>3</td></tr>
<tr><td>5. Property and shareholder rights</td><td>3</td></tr>
<tr><td>6. Labor practices/harmful child labor</td><td>3</td></tr>
<tr><td>7. Corporate social responsibility</td><td>2</td></tr>
<tr><td>8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility</td><td>2</td></tr>
<tr><td>9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work</td><td>3</td></tr>
<tr><td>10. Market regulation</td><td>3</td></tr>
<tr><td>11. Market volatility</td><td>2</td></tr>
<tr><td>12. Currency risk</td><td>2</td></tr>
<tr><td>13. Liquidity risk</td><td>2</td></tr>
<tr><td>14. Repatriation risk</td><td>3</td></tr>
<tr><td>15. Market openness to foreign investors</td><td>2</td></tr>
<tr><td>16. Government commitment to free market policies</td><td>3</td></tr>
<tr><td>17. Legal protection for foreign investors</td><td>2</td></tr>
<tr><td>18. Trading and settlement proficiency</td><td>2</td></tr>
<tr><td>19. Transaction costs</td><td>2</td></tr>
<tr><td>Company Total score:</td><td>48</td></tr>
</table>

* Note – Please see Section 4 for Ratings Definitions.

India

SIEMENS INDIA LTD, Electrical Compo&Equip 6099659

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	This company is a subsidiary of Siemens AG. **Controversial Projects**: Siemens is active in a number of countries with ongoing human rights problems. Burma: In Burma, Siemens’ Siemens Ltd. subsidiary offers mobile communications services and products from Siemens' medical products division.; Sudan: Siemens has operations in Sudan. Siemens served as the equipment vendor for a fiber-optic cable telecommunications and data project that linked Egypt and Sudan. A consortium lead by the Siemens Industrial Solutions and Services Group (I&S) secured a contract to erect a turnkey diesel power station in Khartoum. In July 2002, the National Electricity Corp of Sudan signed a contract with Siemens' subsidiary, Voith Siemens Hydro Power Generation, for the modernization of the Kashm El Girba power station. Previously, Voith Siemens had been involved in the refurbishing of three pump turbines at this plant. Siemens also contracted with the 50 percent state-owned Sudanese Telecommunications Company (Sudatel) to supply 23,000 advanced digital lines to expand networks and integrated digital services in Sudan. China: Siemens is involved in the Three Gorges Dam project on the Yangtze River in China.; India: Siemens is also involved in supplying components for a hydro-electric project in the Narmada Valley of India. This is also a controversial project, as there have been protests at the dam site by people alleging that the dam's completion threatens the existence of 40,000 peasants faced with eviction from their dwellings located near the site.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

India

STERLITE INDS, Metal Fabricate/Hardware 6289494

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Sterlite Industries is 82% owned by Vedanta Resources Plc, and owns 53% of Hindustan Zinc and 42% of Bharat Aluminum (Balco). **Environment and Community Relations**: Environmentalists, human rights groups and some local tribal groups have opposed efforts to expand the mining industry in Orissa, India, citing climatic changes, declines in wildlife habitats, and the displacement of thousands of tribals as negative consequences. Sterlite Industries is among the mining companies facing such opposition because it seeking to construct an alumina plant and bauxite mine in the Lanjigarh block in Kalahandi District of Orissa. As of March 2005, activists and local tribal groups were agitating against the location of alumina plants being set up by Sterlite Industries and Utkal Alumina International Ltd (UAIL) in Rayagada and Kalahandi districts in Southern Orissa. In February 2004, human rights NGO FIAN (the Foodfirst Information & Action Network) reported that 35 Adivasis (a local tribal group) households were forcibly evicted from the village of Kinari in Lanjigarh block, Kalahandi district of Orissa, by Sterlite Industries and the local police to make way for mining and refinery activities. In January 2005, a fact-finding panel of the Supreme Court reported that Sterlite Industries' subsidiary Vedanta Alumina had violated forest laws in Kalahandi district of Orissa in setting up the alumina refinery project there. In August 1997, Indian police detained hundreds of protesters demanding the permanent closure of a Sterlite Industries copper smelter, located in the southern port city of Tuticorin. Protesters believed that the smelter was spreading dangerous levels of pollution. **Employee Relations**: In January 2005, employees at the Bharat Aluminum Company Ltd (Balco) plant in Korba in Chhattisgarh went on strike to protest against the death of a worker who was killed after beams fell on him and two other workers while working on a plant expansion project.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

India

SUN PHARMACEUTICAL, Pharmaceuticals 6582483

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Product Safety/Ethics**: In November 2004, medical representatives participated in a protest rally aimed at exposing the alleged policies of pharmaceutical companies to push fake and spurious drugs into the market. In particular, the protesters criticized Sun Pharma's promotion of an anti-cancerous drug for curing infertility. In September 2002, a 22-year-old volunteer died during Sun Pharma's clinical trial of the anti-psychotic drug, Citalopram. He was paid money to participate in the trial. The state government exonerated Sun Pharma from all charges after a committee conducted a probe into alleged violation of rules, and absolved the company from the charges in its report to the Federal Government. However, health advocates and the victim's relatives were critical of the committee's findings. In January 2003, two Sun Pharma employees were arrested in connection with the death. The two were charged with negligence causing grievous complications. While Sun Pharma has denied that the tests were responsible for the trial participant's death, his relatives claim that he developed side effects immediately following the tests. In September 2002, Sun Pharma was sued by two volunteers involved in clinical trials conducted by the company. The volunteers claim to have suffered serious medical complications after donating blood for trial by Sun Pharma's research division; and one of them developed septicaemia and thrombosis. Sun Pharma denied allegations of negligence, stating that it adhered fully to the regulations set by state and federal health authorities. **Employee Safety**: In August 2004, a fire at Sun Pharma's bulk active plant in Panoli injured 4 workers. In November 2003, a major fire in the centrifuge reaction process plant of Sun Pharma in Panoli left one worker dead.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	2	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

DOOSAN HEAVY IND, Machinery-Diversified 6294670

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Union Relations**: In November 2005, Doosan’s union launched an indefinite strike after collective bargaining talks with management collapsed. Union and management negotiators conducted more than 50 rounds of meetings since April. A company official said it would use non-union workers to minimize the impact of the strike. In March 2003, a 63 day long labor dispute with management was resolved through government arbitration, with management agreeing to withdraw applications for damage compensation and provisional seizures against individual unionists, to reinstate five unionists dismissed for taking part in a labor strike and to hold discussions with the union over rehiring laid-off workers. The dispute was prompted by the suicide of a former worker and union member who was punished by the company for taking part in previous industry strike action; In February 2003, the Labor Ministry found that Doosan Heavy conducted unfair labor practices in February 2003 and ordered the company to rectify the unlawful conduct and take legal proceedings against company officials involved. Included in the unfair labor practices were transfers of unionist strike leaders to less important jobs, and plans to neutralize the union, including guidelines for appeasement and a list dividing the unionists into several categories according to their degree of allegiance to the organization. **Corrupt Business Practices**: In November 2005, Doosan Group announced that the group's chairman, Park Yong-Sung, had resigned to take responsibility for alleged accounting fraud at the group's affiliates and a slush fund scandal.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

GS ENGINEERING & C, Engineering&Construction 6537096

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Part of LG Group and 31.2% owned by LG Group affiliates. **Corrupt Business Practices**: see LG Corp; In May 2004, LG Group vice chairman Kang Yu-sik was sentenced to a suspended jail term of one-and-half years on charges of providing 15 billion won in illegal funds to the Grand National Party (GNP) during the presidential campaign in 2002. **Safety Issues**: In April 2004, three workers were killed and 17 others injured after scaffolding collapsed at a construction site at an LG Department Store in Puchon, Kyonggi Province. The accident occurred while construction workers were changing tiles on the outer wall of the LG Department Store, and appears to have been triggered by careless safety measures. LG Engineering & Construction Corporation was in charge of the construction. **Union Relations**: 16 day strike at LG Group’s LG Caltex JV in July/August 2004. A South Korean court declared the strike illegal and ordered the arrest of five union leaders.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

HANA BANK, Banks 6076470

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Gender Discrimination**: In November 2004, the Seoul Regional Administration (SRA), an umbrella organization of the Ministry of Labor, concluded that Hana Bank’s personnel management system was discriminatory, and asked the company to rectify the wrongful practice. The management system divided employees into two groups: one for “comprehensive” workers and the other for “FM/CL (floor marketer/clerk)” workers who wear uniforms. The SRA found that FM/CL workers were primarily women and paid far less than comprehensive workers, and that the system constituted indirect gender discrimination. **Corrupt Business Practices**: As of September 2005, Kim Seung-yu, chairman of Hana Bank, was under investigation for allegedly unfair stock transactions in which he used confidential information to trade stocks for profits. The Financial Supervisory Service is looking into whether Kim was involved in unfair trading when he traded stocks of a company that was invested by another company to which Hana Bank extended loans. In November 2003, the Financial Supervisory Commission penalized Hana Bank and its president Kim Seung-Yu for extending unauthorized loans to a unit of SK Group and fabricating financial documents about currency option transactions.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**50**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

HANJIN SHIPPING, Transportation 6497071

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Part of Hanjin Group. **Corrupt business practices**: Hanjin Group chairman Cho Yang-ho was indicted in April 2004 for making illegal political donations of 2 billion won to the opposition Grand National Party (GNP) in 2002; In June 2004, Cho Yang-ho found guilty of funneling millions of dollars to politicians before South Korea's 2002 presidential election, violating laws that limit business donations. He received a one year suspended prison sentence. In March 2000, Hanjin Shipping vice chairman Cho Soo-ho was given a suspended three-year prison term and a 1.5 billion won fine for tax evasion and embezzlement. Hanjin Shipping received a 1.5 billion won fine on the same charges. Hanjin Shipping operates in Burma through its agent Myanmar Shipping Services; Fined by EU for price fixing in 2000; In March 2000, Hanjin Shipping was one of six companies fined for illegally selling overseas bonds and bypassing financial market regulations to make debt-to-equity ratios appear lower.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

HONAM PETROCHEM CP, Chemicals 6440020

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Part of Lotte Group. 34% owned by Lotte Moolsan. **Employee Relations and Safety**: In October 2003 an explosion and fire at Honam Petrochemical's No. 3 HDPE plant in Yeochun killed 1 worker and injured 7 others. In September 2002, there was a three week strike over pay and conditions. In October 2001, a fire at a naptha plant owned by Honam Petrochemical Corp killed three factory workers and injured one. **Corruption**: In April 2004, prosecutors indicted two Lotte Group executives for illegal funding for the 2002 presidential race. Prosecutors claim that Lotte Shopping president Shin Dong-in gave 1 billion won to Rep. Shin Kyung-shik of the opposition Grand National Party, 600 million won to Ahn Hee-jung, a former aide to President Roh Moo-hyun, and 300 million won to another Roh aide, Yeo Taik-soo. The other executive, Lotte Engineering & Construction president Lim Seung-nam, was indicted on charges of dodging corporate taxes and embezzling company money, allegedly stashed away up to 4.3 billion won in slush funds for the purpose of lobbying politicians in 2002. The prosecution did not indict the chairman and the vice chairman of Lotte Group because no evidence had been found to implicate them. There does not appear to be a direct ownership connection b/t Honam and Lotte Shopping or Lotte Engineering & Construction.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

HYNIX SEMICONDUCTO, Semiconductors 6450267

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Corrupt Business Practices**: In January 2005, two executives of Hynix Semiconductor were indicted on charges of graft. The two were arrested on suspicion of purchasing shares from a Hynix subcontractor at a below-market price in 2000, and in return promising a helping hand in securing the company's procurement contract. At the time of their arrest, the two were still employed by Hynix. In September 2004, the Financial Supervisory Service fined Hynix 2 billion won ($1.7 million) for fraudulent accounting practices committed between 1996 and 1999, and asked prosecutors to investigate a former executive at Hynix who was allegedly involved in the irregularities. Following this, in September 2004, the Investigation Department of the Seoul Central District Public Prosecutors’ Office charged Kim Yong-hwan, the former president of Hyundai Electronics (now Hynix) with misfeasance in office, but his indictment was suspended. Hynix was involved in the 2003 cash for summit scandal in which it was found that Hyundai Group companies sent alleged bribes to the North Korean government to induce it to host the inter-Korean summit of 2000--Hynix allegedly transferred $100 million from the sale of a British affiliate company to a front company in the Middle East, who then secretly funneled it to North Korea via Hyundai Engineering and Construction. In April 2005, the U.S. Department of Justice announced that Hynix had agreed to plead guilty and pay $185 million to settle price-fixing charges in the DRAM market between April 1999 and June 2002. **Discrimination controversies**: Hynix paid $860,000 in 2002 to settle job discrimination charges brought by the EEOC and settled a separate lawsuit in July 2002 brought by an employment recruiter who alleged Hynix told him not to refer women or African Americans for jobs at the company's Eugene, Oregon plant.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**50**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

HYUNDAI HEAVY INDS, Shipbuilding 6446620

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Corporate Governance**: In June 2003, HHI was one of several S.Korean chaebols subject to probe by FTC into alleged illegal business practices. The investigation was completed in October 2003, resulting in fines for several groups, including HHI. The FTC said that chaebol units posted gains through unfair transactions between affiliates. The illegal transactions included making low-interest loans to weaker affiliates and buying shares of affiliates at below market price; In 1999, South Korea's Financial Supervisory Services (FSS) filed charges against HHI on suspicion of tampering with the stock prices of Hyundai Electronics Industries. A VP of HHI was indicted on the charges. **Safety controversy**: In 1998 HHI authorized its contractor Oceaneering International to hire Chinese divers to dive in an area that had been deemed unsafe for Australian divers who were sickened by exposure to volatile organic chemicals in the sea bed. The Chinese divers also got sick. **Other issues:** violent strikes in 1997; several strikes in recent years over wage hikes and employment policies; In April 2005, Hyundai Heavy was fined 19.4 billion won by the FTC for conducting illegal cartel activities from 2001 to 2004.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea		
HYUNDAI MOBIS, Auto Parts &Equipment 6449544		
CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	18% owned by Kia; owns 13% of Hyundai Motor; See Kia and Hyundai Motor. **Corruption**: In January 2005, prosecutors detained a Hyundai Mobis employee who is believed to be a middleman in the bribes-for-jobs scandal at a Kia Motors plant. Prosecutors said the man received about 150 million won ($146,000) from five people seeking jobs at Kia's Gwangju plant. The man then offered 47 million won to a senior Gwangju plant official and introduced job seekers, prosecutors allege.; In April 2004, prosecutors asked Hyundai Mobis to submit the firm's financial transaction records as part of an investigation into Hyundai's illegal political donations. Hyundai Mobis was involved when Hyundai officials provided 10 billion won to the main opposition Grand National Party to finance its 2002 presidential campaigns.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea		
INI STEEL CO, Iron/Steel 6461850		
CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	18% owned by Kia Motor. **Corrupt Business Practices**: In September 2003, INI Steel was among nine South Korean steel companies that were fined for gaining illegal profits by colluding on prices. South Korea's Fair Trade Commission charged the firms with fines totaling nearly 74.9 billion won (US$65.09 million), INI Steel was fined 25.48 billion won of this amount. In June 2004, INI Steel announced plans to file a lawsuit against the Fair Trade Commission, seeking to overturn its ruling that it had colluded to raise steel prices.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

KIA MOTORS CORP, Auto Manufacturers 6490928

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	37% owned by Hyundai Motor, see Hyundai Motor. **Union relations**: Kia’s unions have gone on strike in several instances in recent years. In May 2005, Kia's production lines in South Korea were brought to a temporary halt after the union refused to work during night shifts, angered by what they call undue treatment by the management. The union asserted the management has conducted a restructuring that is designed to reduce the union's influence and stick to a work first, pay later policy without a serious discussion on employment conditions for manufacturing workers.; Brief strike over safety standards at Kia’s Hwasung plant in February 2005; Union walkouts in July 2004 over wages; Partial strike in February 2004 over the planned dismissal of union leader.; Violent strike over back wages in June 1998. **Corruption**: In April 2005, several former union executives and Kia Motors employees were sentenced to prison in connection with a cash-for-jobs scandal at the company's Gwangju plant. In February 2005, Kia Motors Corp. President Kim Ik-hwan offered an apology for the company's union-related cash-for-jobs scandal, stating that the company shared responsibility for the controversy stemming from the payment of kickbacks to a union leader. Kia's former CEO was sent to prison in 1998 on charges of embezzling company funds.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea		
KOOKMIN BANK, Banks 6419365		
CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Corrupt Business Practices**: In September 2004, the Financial Supervisory Commission issued a disciplinary warning against Kookmin President Kim Jung-Tae for accounting irregularities at the bank, preventing him from working at any banks or insurance firms for the next three years. The punishment followed an August 2004 decision by the Securities and Futures Commission (SFC) to fine Kookmin Bank two billion won (US$1.7 million dollars) for accounting fraud. The fine followed a probe that found Kookmin had overstated 2003 losses to avoid $270 million in corporate taxes and that it had put aside insufficient provisions against bad loans in 2003. Kookmin Bank misstated or deflated loss reserves in its process of taking over Kookmin Credit Card in 2003, apparently to save tax and inflate income. In November 2005, South Korea's Financial Supervisory Commission ordered Kookmin Bank and Chohung Bank to suspend operations at one branch each after regulators found that employees from the branches had embezzled 85 billion won ($81 million) in clients' money.; In November 2003, company was among nine banks reprimanded by regulators for issuing fabricated loan documents to SK Global and SK Shipping.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

KOREA ELEC POWER, Electric 6495730

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Union relations**: strike to protest privatization plans in early 2002 and 2000; During 2002 strike, union complained about company's surveillance of open-air demonstrations of the union and blocking access to the union's website. **Burma involvement**: Kepco completed a project to analyze and diagnose Burma's electric power network in 2002, paving the way for South Korean firms to make advances in Burma's power generation and transmission market.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Dimensional

Korea

KOREA GAS, Gas 6182076

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Korea Gas participates in a natural gas well development project in Burma (Myanmar) through a consortium with Daewoo International; KOGAS owns a 10% stake in the project, which aims to build a India-Myanmar gas pipeline. **Bribery**: In May 2003, the President of KOGAS was arrested and indicted on charges that he accepted 100 million won in bribes from a gas transport company in return for awarding them a contract. He resigned in response to the corruption charges; worker rallies regarding job cuts in 1999. **Safety Issues**: radioactive leak at nuclear plant followed by protests in 1999.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

LG CHEMICAL, Chemicals 6346913

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	30% owned by LG Corp and part of LG Group. **Corrupt Business Practices**: In May 2004, LG Group vice chairman Kang Yu-sik was sentenced to a suspended jail term of one-and-half years on charges of providing 15 billion won in illegal funds to the Grand National Party (GNP) during the presidential campaign in 2002; 2 week strike in July 2003 over wages; In June 2003, LG group was one of several S.Korean chaebols subject to probe by FTC into alleged illegal business practices. The investigation was completed in October 2003, resulting in fines for several groups, including LG Group. The FTC said that chaebol units posted gains through unfair transactions between affiliates. The illegal transactions included making low-interest loans to weaker affiliates and buying shares of affiliates at below market price. Executives accused of corruption in October 2002--facing lawsuit over alleged violation of securities rules and profiting from illicit insider deals (LG Chemical allegedly sold nearly 20 million shares in LG Petrochemical to the family of LG Group Chairman Koo Bon-moo at 5,500 won per share in 1999, far below the share's actual value, helping the Koo family earn 187 billion won in illicit profits and creating large losses for the company's minority shareholders). **Safety**: Explosion at LG Chem's styrene tank at Yeochon, South Korea killed one plant worker in March 2003.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

LG CORP, Holding Companies-Divers 6537030

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Holding Company for LG Group--formed in March 2003 via merger of LG Chem Investment and LG Electronics Investment. **Corrupt Business Practices**: In May 2004, LG Group vice chairman Kang Yu-sik was sentenced to a suspended jail term of one-and-half years on charges of providing 15 billion won in illegal funds to the Grand National Party (GNP) during the presidential campaign in 2002. In June 2003, LG Group was one of several S.Korean chaebols subject to probe by FTC into alleged illegal business practices. The investigation was completed in October 2003, resulting in fines for several groups, including LG Group. The FTC said that chaebol units posted gains through unfair transactions between affiliates. The illegal transactions included making low-interest loans to weaker affiliates and buying shares of affiliates at below market price; Executives accused of corruption in October 2002; facing lawsuit over alleged violation of securities rules and profiting from illicit insider deals. **Union Relations**: 16 day strike at LG Group’s LG Caltex JV in July/August 2004. A South Korean court declared the strike illegal and ordered the arrest of five union leaders.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Korea

LG ELECTRONICS INC, Electrical Compo&Equip 6520739

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	LG Electronics is 36% owned by LG Corp. and part of LG Group. **Corrupt business practices:** In May 2004, LG Group vice chairman Kang Yu-sik was sentenced to a suspended jail term of one-and-half years on charges of providing 15 billion won in illegal funds to the Grand National Party (GNP) during the presidential campaign in 2002. In June 2003, LG Group was one of several S.Korean chaebols subject to probe by FTC into alleged illegal business practices. The investigation was completed in October 2003, resulting in fines for several groups, including LG Group. The FTC said that chaebol units posted gains through unfair transactions between affiliates. The illegal transactions included making low-interest loans to weaker affiliates and buying shares of affiliates at below market price. **Union Relations**: In February 2004, LG Electronics transferred 350 workers to another Korean company, Haeng Sung (HS). HS agreed to maintain the seniority, past wages, healthcare, former positions of the workers, and the collective bargaining agreement that existed between LG Electronics and the CTM union for the new employees. The Coalition for Justice in the Maquiladoras reports that HS did not follow through with the agreement and the employees are asking HS to fulfill the agreement or for LG to pay the legally required severance pay in accordance with Federal Labor Law.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

SAMSUNG ELEC MECH, Electronics 6771689

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	24% owned by Samsung Electronics; see Samsung Electronics. **Labor standards controversies and corrupt business practices**: Operates maquiladoras where alleged discrimination occurred against pregant women. Human Rights Watch reported in 1996 that women working at Samsung Electro-Mechanics' maquiladora in Tijuana, Mexico were obliged to undergo mandatory, employment-related pregnancy testing as a condition for employment. The company has claimed that all practices are in conformity with local law and denies asking women applicants whether they are pregnant, either in a pre-hire medical interview or during personnel interviews. In January 1998 the U.S. Department of Labor confirmed the findings of labor force sex discrimination revealed in 1996 Human Rights Watch report. The findings involved many companies, including Samsung Electro-Mechanics.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

SAMSUNG ELECTRONIC, Semiconductors 6771720

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Labor Standards Controversies**: In January 2004, the Guardian reported on the death of a Chinese worker at a plant in Teeside, England, that supplied plastic parts to a Samsung Electronics factory nearby. The death spurred an investigation by the newspaper, which found that many of the workers at this plant, primarily from northern China, are illegal immigrants who work 24-hour shifts, under false names and for very low pay; Implicated in 1996 HRW report claiming that women working in the company's maquiladoras (in-bond assembly plants) along the U.S.-Mexico border were obliged to undergo mandatory, employment-related pregnancy testing as a condition for employment. **Discrimination**: In March 2005, the National Human Rights Commission (NHRC) began a preliminary investigation of Samsung Electronics, which stands accused of trying to impose an indirect age limit on job applicants. **Corrupt Business Practices**: In October 2005, the Seoul Central District Court convicted Hur Tae-hak, a former head of Samsung Everland, and another Samsung executive, Park Ro-bin, of helping group Chairman Lee Kun-hee transfer wealth illegally to his children by selling them convertible bonds at prices lower than market value. The two were indicted in 2003.; In October 2005, the Supreme Court upheld a lower court’s ruling ordering Samsung Group chairman Lee Kun-hee and nine other former and current Samsung Electronics executives to pay 19 billion won ($18.7 million) for causing heavy losses to the company through mismanagement. Chairman Lee was ordered to pay 7 billion won to Samsung Electronics to compensate for funds diverted to be used to bribe former President Roh Tae-woo. In October 2005, Samsung Electronics Co. Ltd. and its U.S. subsidiary pled guilty and agreed to pay a $300 million fine for taking part in a conspiracy to fix the prices of semiconductors for computers and other electronics.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Korea		
SAMSUNG HEAVY, Shipbuilding 6772217		
CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	18% owned by Samsung Electronics; see Samsung Electronics (labor standards controversies and corrupt business practices).
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

Korea

SAMSUNG SDI, Electronics 6771645

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	20% owned by Samsung Electronics; see Samsung Electronics (labor standards controversies and corrupt business practices). **Labor Controversies**: Also, in November 2004, South Korea's labor ministry disclosed that it had uncovered 238 cases of infringements of labor laws at three plants of Samsung SDI Co. In the investigation undertaken in September, Samsung SDI was found to have violated labor rules established to prevent employees from having to work more than an additional 16 hours a week. Other labor violations included failing to prevent young employees from working an additional six hours a week. The investigation came after allegations over Samsung SDI's labor violations were raised by ruling Uri Party lawmaker Woo Won-shik during the ministry's annual parliamentary audit. During the audit, Woo asked the ministry to investigate other allegations that Samsung SDI has obstructed its employees from establishing a labor union, going so far as to track the movements of some employees by use of GPS-enabled mobile phone technology. The ministry is conducting an investigation into this allegation.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

<table>
<tr><th colspan="3">Korea</th></tr>
<tr><th colspan="3">SK TELECOM, Telecommunications 6224871</th></tr>
<tr><th>CalPERS Policy</th><th>Company Score 1-3*</th><th>Significant Factors Considered</th></tr>
<tr><td>1. Transparency, including elements of a free press necessary for investors</td><td>3</td><td rowspan="20">21% owned by SK Corp, see SK Corp.

Corrupt Business Practices: In February 2004, several SK executives, including SK Corp. chair Chey Tae-won, SK Group chair Son Kil-seung and SK Telecom chair Pyo Moon-soo resigned as boardmembers for SK Telecom. This was seen as an important step forward in cutting the ties between SK Group owner Chey and the management of the group's affiliates; SK Group former chair Son Kil-seung indicted for illegal campaign financing in April 2004 on charges of providing 1.1 billion won in illegal lobbying funds to Choi Do-sul, a former presidential secretary for general affairs. He was arrested in January 2004 on charges of embezzlement, tax evasion and providing illegal political funds to both the GNP and President Roh's camp just before the 2002 election. In June 2004, the former chairman Son Kil-seung was sentenced to three years in prison for wide-ranging malpractice, including tax evasion and misuse of SK Group company funds.

Antitrust Violations: The company has been fined for antitrust violations many times in the past several years.</td></tr>
<tr><td>2. Political stability</td><td>3</td></tr>
<tr><td>3. Progress towards the development of basic democratic institutions and principles</td><td>3</td></tr>
<tr><td>4. Strong and impartial legal system</td><td>3</td></tr>
<tr><td>5. Property and shareholder rights</td><td>3</td></tr>
<tr><td>6. Labor practices/harmful child labor</td><td>3</td></tr>
<tr><td>7. Corporate social responsibility</td><td>2</td></tr>
<tr><td>8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility</td><td>2</td></tr>
<tr><td>9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work</td><td>3</td></tr>
<tr><td>10. Market regulation</td><td>3</td></tr>
<tr><td>11. Market volatility</td><td>2</td></tr>
<tr><td>12. Currency risk</td><td>2</td></tr>
<tr><td>13. Liquidity risk</td><td>2</td></tr>
<tr><td>14. Repatriation risk</td><td>3</td></tr>
<tr><td>15. Market openness to foreign investors</td><td>3</td></tr>
<tr><td>16. Government commitment to free market policies</td><td>3</td></tr>
<tr><td>17. Legal protection for foreign investors</td><td>3</td></tr>
<tr><td>18. Trading and settlement proficiency</td><td>3</td></tr>
<tr><td>19. Transaction costs</td><td>2</td></tr>
<tr><td>Company Total score:</td><td>51</td></tr>
</table>

* Note – Please see Section 4 for Ratings Definitions.

"Fail ?" Company Reports by Country

Korea

S-OIL CORP, Oil&Gas 6406055

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	S-Oil is 35% owned by Saudi Aramco. Saudi Aramco owns 50% of Motiva Enterprises, a 50-50 JV with Shell. **Corrupt Business Practices**: In October 2002, a South Korean criminal court sentenced two top S-Oil executives after they were found guilty of stock price manipulation and accounting malpractice. S-Oil's Chair Kim Sun-dong was sentenced to serve three years in prison and the company's President Yoo Ho-kee received 10 months in jail and a 2-year suspended sentence. Both were released on bail later in the year and are appealing their sentences. The company itself was fined 300 million won. S-Oil has denied allegations that the executives manipulated the firm's share price and overstated 2001 earnings. In March 2003, S-Oil's board of directors decided to retain Kim Sun-dong as chair and Yu Ho-kee as President of the company despite the charges held against them. **Employee Safety**: Motiva Enterprises has faced several regulatory actions stemming from a July 2001 incident at its Delaware City, Delaware, refinery in which a sulfuric acid tank exploded, killing one worker and injuring several others. In March 2005, a U.S. federal court ordered Motiva Enterprises to pay a fine of $10 million and to serve a three-year term of probation after the company pleaded guilty to negligently endangering workers at the refinery. **Environment**: In August 2001, the Associated Press reported that the company's Motiva Enterprises refinery in Delaware City had a long history of pollution problems. The article noted that in their frustration with continued heavy air and water pollution, government authorities and environmental advocates had proposed a range of measures, from tougher enforcement laws to shutdown of the refinery. The article also reported that in March 2001, Motiva signed a consent decree with the EPA to spend $116 million on improvements.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**51**	

* Note – Please see Section 4 for Ratings Definitions.

Malaysia

GAMUDA BERHAD, Engineering&Construction 6359881

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	**Controversial Projects:** Gamuda Berhad is a 30% owner of the SPLASH consortium (Syarikat Pengeluar Air Sungai Selangor Sdn Bhd), which is the concessionaire for the building and operation of the Sungai Selangor Water Supply Scheme Phase 3 (SSP3) in Kuala Kubu Baru. The SSP3 includes the construction of the controversial Selangor dam, which is expected to be fully operational in 2005. The Selangor dam project was opposed by local communities, indigenous peoples and environmental NGOs, who claimed that the dam would entail the destruction of 600 hectares of rainforest, the eviction of the native Temuan from their ancestral homelands, and the destruction of the green sanctuary of Pertak in Ulu Selangor.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**46**	

* Note – Please see Section 4 for Ratings Definitions.

Malaysia

LAFARGE MALAYAN CE, Building Materials 6556518

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	53% owned by Lafarge SA. **Employee Health & Safety**: Lafarge Redland Aggregates Ltd. was fined GBP 175,000 in March 2003 for breaching health and safety laws after the death of a road worker in 1999; In August 2003, Lafarge Canada was fined CAD 150,000 following the death of an employee who fell from a wooden platform in December 2001; In June 2003, an employee of a subcontractor for Lafarge Canada was killed when a rock-crusher machine he was working on started up with him inside; In May 2003, three workers were burned, one of them severely, in an explosion at a Lycoming County, Pennsylvania, plant owned by Lafarge; In FY 2002, Lafarge experienced 10 employee fatalities and 26 contractor fatalities. **Union Relations**: Six-month strike in 2002 at Lafarge's Bath, Ontario facility; In September 2003, several employees of Lafarge in Honduras blocked the site's entrance in order to protest against layoffs there, arguing that the layoffs were illegal. **Environment**: Lafarge operates at least two hazardous waste cement kilns, which are very controversial with environmentalists and some health groups. According to the American Lung Association, incinerating hazardous waste in cement kilns can result in emissions of such substances as dioxins and mercury in higher concentration than in commercial hazardous waste incinerators.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**46**	

* Note – Please see Section 4 for Ratings Definitions.

Malaysia

MALAKOFF BERHAD, Electric 6555924

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	22% owned by Malaysia Mining Corp. (MMC Corporation). MMC has operations in Sudan and Burma.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**46**	

* Note – Please see Section 4 for Ratings Definitions.

Malaysia

NESTLE (MALAYSIA), Food 6629335

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Nestle Malaysia is a 72% owned subsidiary of Nestle SA. **Union Relations**: Nestle SA has had a history of acrimonious relations with its unions in the Philippines and Japan, as well as some problems in South Korea and Colombia. **Burma**: Nestle SA distributes its products in Burma through a third party. **Discrimination**: In June 2003, a California jury upheld an earlier court decision that Nestle USA had discriminated against a former employee on the basis of his age, and awarded him $5.1 million in damages. **Infant formula**: Nestle is involved in a controversy concerning the marketing of infant formula. The International Baby Food Action Network (IBFAN) reports that Nestle has violated the International Code of Marketing of Breastmilk Substitutes (the ICMBS) in its infant formula promotions to the public, to health care workers, and to facilities. **Child labor**: Since 2001, the problem of child labor in cocoa plantations in the Ivory Coast has received worldwide attention. Nestle has cocoa processing operations in the Ivory Coast and has become a member of several industry groups that are trying to address this problem. **Water**: Nestle is involved in a number of controversies with communities concerning local water supplies.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**44**	

* Note – Please see Section 4 for Ratings Definitions.

<table>
<tr><th colspan="3">Malaysia</th></tr>
<tr><th colspan="3">SHELL REFINING(FOM Oil&Gas 6803504</th></tr>
<tr><th>CalPERS Policy</th><th>Company Score 1-3*</th><th>Significant Factors Considered</th></tr>
<tr><td>1. Transparency, including elements of a free press necessary for investors</td><td>2</td><td rowspan="20">Royal Dutch/Shell owns 51% of Shell Refining. Royal Dutch/Shell raises a number of issues under the Global Sullivan Principles, including the company’s record in the areas of corporate governance, community impact, employee safety, environmental performance and human rights. Two such areas are outlined here.

Corporate Governance: In January 2004, Royal Dutch/Shell Group announced that it had overbooked oil and natural gas reserves by 20%. In March 2004, the company cut its reserves levels for a second time and postponed its annual report and annual meeting by two months. In September 2005, Royal Dutch Shell agreed to pay $9.2 million to settle four shareholder lawsuits filed in the states of New York and New Jersey relating to the company's reserves scandals and subsequent payment of fines. In July 2004, Royal Dutch reached preliminary settlements with U.S. and British authorities to pay penalties of approximately $150 million for overstating its energy reserves.

Human Rights: In the 1990s considerable controversy arose over Royal Dutch/Shell's responsibility for environmental degradation in Nigeria's delta region (oil spills and air pollution from gas flaring). Local protests arose over this long term pollution as well as the company's reported relationship with repressive Nigerian military regimes. Most controversial was the company's use of government security forces to protect its oil operations. Since the mid 1990s the company has sought to repair relations with local Nigerians and improve its own image. As of 2005, unrest and violence continued, with RD/S and other companies often playing convenient targets for decades of local frustration.</td></tr>
<tr><td>2. Political stability</td><td>3</td></tr>
<tr><td>3. Progress towards the development of basic democratic institutions and principles</td><td>3</td></tr>
<tr><td>4. Strong and impartial legal system</td><td>3</td></tr>
<tr><td>5. Property and shareholder rights</td><td>3</td></tr>
<tr><td>6. Labor practices/harmful child labor</td><td>3</td></tr>
<tr><td>7. Corporate social responsibility</td><td>2</td></tr>
<tr><td>8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility</td><td>2</td></tr>
<tr><td>9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work</td><td>3</td></tr>
<tr><td>10. Market regulation</td><td>2</td></tr>
<tr><td>11. Market volatility</td><td>2</td></tr>
<tr><td>12. Currency risk</td><td>2</td></tr>
<tr><td>13. Liquidity risk</td><td>2</td></tr>
<tr><td>14. Repatriation risk</td><td>3</td></tr>
<tr><td>15. Market openness to foreign investors</td><td>2</td></tr>
<tr><td>16. Government commitment to free market policies</td><td>2</td></tr>
<tr><td>17. Legal protection for foreign investors</td><td>2</td></tr>
<tr><td>18. Trading and settlement proficiency</td><td>3</td></tr>
<tr><td>19. Transaction costs</td><td>2</td></tr>
<tr><td>Company Total score:</td><td>46</td></tr>
</table>

* Note – Please see Section 4 for Ratings Definitions.

Mexico

COCA-COLA FEMSA SA, Beverages 2141899

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	**Union Relations**: Acquired Panamerican Beverages (Panamco) in May 2003; In April 2003, a Miami District court judge ruled that a 2001 union lawsuit may proceed against Panamco, which is Coca-Cola's primary bottling company in Latin America, and Colombian bottler Bebidas y Alimentos, for allegedly contracting with individuals to intimidate and assassinate Columbian union officials. As of 2005, the lawsuit was pending. **Other issues**: In November 2005, Coca-Cola Femsa was fined US$1 million for insisting that stores in Mexico sell only Coke brand products and not competitors' drinks. In February 2005, Venezuela's Seniat tax authority closed the distribution and bottling plants of Coca-Cola Femsa for 48 hours due to alleged book-keeping problems. **Discrimination**: In 2005 a senior manager at Coca-Cola Femsa accused the company of forcing him to resign because he is gay. The manager worked for Coca-Cola Femsa for seven years, but says after the company learned he was gay he was "red circled", his pay frozen and denied advancement. Coca Cola Femsa denies the allegations, claiming that it has a no tolerance policy for discrimination.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**42**	

* Note – Please see Section 4 for Ratings Definitions.

Mexico

FOMENTO ECON MEXIC, Beverages 2242059

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Owns 51% of Coca Cola FEMSA, which acquired Panamerican Beverages (Panamco) in May 2003. **Union Relations**: In April 2003, a Miami District court judge ruled that a 2001 union lawsuit may proceed against Panamco, which is Coca-Cola's primary bottling company in Latin America, and Colombian bottler Bebidas y Alimentos, for allegedly contracting with individuals to intimidate and assassinate Columbian union officials; In March 2004, several former union employees were staging a hunger strike to protest against plant closings and layoffs by Coca Cola Femsa. **Corrupt Business Practices:** In March 2002, Mexico's Federal Competition Commission ruled that Coca Cola Femsa was engaging in marketing practices that violated competition regulations. The company allegedly refused to modify its practices. As of August 2004, FEMSA was being investigated over alleged monopolistic practices. **Discrimination:** In August 2005, Coca Cola Femsa was criticized by anti-discrimination activists for allegedly dismissing a senior official for being gay. A former senior manager with Coca-Cola Femsa said he was fired after seven years on the job for being an admitted homosexual.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**42**	

* Note – Please see Section 4 for Ratings Definitions.

Mexico

GPO IUSACELL, Telecommunications 2224563

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Iusacell is 74.6% owned by MovilAccess, one of the group of companies controlled by Ricardo Salinas Pliego. **Corrupt Business Practices**: (See TV Azteca). In July 2005, Iusacell delisted from the New York Stock Exchange along with the other Salinas-owned companies. In May 2005, bondholders of Grupo Iusacell launched a lawsuit calling for immediate payment of the principal and interest on a $350 million bond due at the end of 2005. Iusacell has not made any payments on the bond since June 2003, when Verizon of the US and Vodafone of the UK sold their interests in the company to MovilAccess. As of July 2004, investors in Iusacell were suing the company alleging insider sales that violated bond covenants. The lawsuit claims Iusacell's core shareholders, including Ricardo Salinas, stripped the company's assets by selling communications towers, meant to collateralize the company's bonds, to a company controlled by J. Michael Gearon Jr. Gearon is a board member of TV Azteca. Both TV Azteca and Iusacell face multiple lawsuits from creditors and shareholders over debt restructuring and breaches of securities laws.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**43**	

Mexico

GRUPO ELEKTRA(NEW), Retail 2967084

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	Ricardo Salinas Pliego, chair of TV Azteca, controls 70% of Grupo Elektra, and 60% of TV Azteca. See TV Azteca.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**43**	

* Note – Please see Section 4 for Ratings Definitions.

Mexico

INDS PENOLES, Mining 2448200

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	2	**Environmental and public health controversy**: Major environmental and public health controversy in 1999 involving lead poisoning in children: Industrias Penoles was ordered to set up a US$6.4 million fund to reduce plant emissions, clean up the environment, and monitor and improve the health of people living near the company's slag heap in the city of Torreon in the Mexican state of Coahuila. The clean-up was ordered by Coahuila's state government after company's toxic waste practices were linked to lead poisoning in children--people living near the slag pile were found to have more than 60 micrograms of lead per deciliter of blood. According to state officials, of the 2,281 children and pregnant women tested in Torreon, 1,166 had more than the acceptable level of 25 micrograms of lead per deciliter of blood. In responding to this controversy, Mexico's federal Environmental Protection Agency (Profepa) imposed restrictions on metal output by Industrias Penoles for almost a year until acceptable emission levels were reached at the company's smelting and refining complex in Torreon. **Other Issues**: strike at its Quimica del Rey subsidiary in March 2002.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**43**	

* Note – Please see Section 4 for Ratings Definitions.

Poland

PKN ORLEN, Oil&Gas 5810066

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Corruption**: PKN Orlen has been involved in several recent cases concerning allegations of corrupt business practices. The most recent of these pertains to its acquisition of Czech company Unipetrol. In August 2005, Polish daily newspaper Rzeczpospolita reported allegations of corruption in the sale of Czech company Unipetrol to PKN Orlen in 2004, claiming that Czech businessman Andrej Babis used his connections with then-Czech premier Stanislav Gross to broker the deal. As of September 2005, Polish authorities investigating allegations of corruption surrounding the sale of the Czech company Unipetrol to PKN Orlen suspected the deal involved bribes worth EUR 42 million. As of early 2005, PKN Orlen was still in the midst of a battle for influence between the government, company management and minority shareholder Jan Kulczyk. The turmoil dates back to 2002 when, shortly after a new leftwing government took office, Andrzej Modrzejewski was removed as chief executive and replaced by Zbigniew Wrobel, a man that had close ties with the ruling Democratic Left Alliance and prime minister Leszek Miller. Shareholder Jan Kulczyk is also involved in a controversy in which he allegedly had a meeting in Vienna in 2003 with a reputed Russian spy named Vladimir Alganov. At the meeting, Mr Alganov said a Russian oil company (Lukoil) had paid a $5 million bribe to a Polish minister and a Polish industrialist (not Mr Kulczyk) to ensure that the Russians would win the tender for a soon-to-be-privatized Polish oil refinery. **Transparency**: In June 2004, a poll of Poland’s leading asset managers by the Polish Management Institute (PID) listed Pkn Orlen among the least transparent companies in Poland.
2. Political stability	3	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**49**	

- Note – Please see Section 4 for Ratings Definitions.

South Africa

OLD MUTUAL PLC, Insurance 6155131

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Corporate Governance**: In June 2004, Pilgrim Baxter & Associates, a U.S. subsidiary of Old Mutual, reached a $100 million settlement with the US Securities and Exchange Commission (SEC) and New York Attorney General Eliot Spitzer about the charges leveled against it in relation to market-timing in its mutual fund business. Old Mutual has said publicly that it supports the prosecution of Pilgrim Baxter's founders and former executives, Gary Pilgrim and Harold Baxter, for breaching their fiduciary duties to the mutual fund's investors. Old Mutual owns 31% of Murray&Roberts, a company that is involved in the construction of a controversial dam.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	2	
5. Property and shareholder rights	2	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	2	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	2	
15. Market openness to foreign investors	3	
16. Government commitment to free market policies	2	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**45**	

* Note – Please see Section 4 for Ratings Definitions.

Taiwan

CHINA AIRLINES, Airline 6189657

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Safety Issues**: In May 2004, a Japanese court ordered China Airlines to pay US$1.6 million in damages to the family of a man killed in the 1994 CAL crash in Nagoya which claimed the lives of 263 others. An investigation of the crash found that crew errors led to the aircraft stalling and crashing during the approach to the airport. In June 2003, Consumer's Foundation threatened to launch a boycott of the company if it did not review its compensation for the victims of May 2002 plane crash; major safety issues in 1980s and 90s; botched repairs cited as cause of May 2002 crash that resulted in the deaths of 225 people. **Burma:** Flights to Burma.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:		

* Note – Please see Section 4 for Ratings Definitions.

“Fail ?” Company Reports by Country

Taiwan

EVERGREEN INTL STO, Transportation 6324511

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Part of Evergreen Group, which includes Evergreen International Corp., Evergreen Marine, Evergreen America, EVA Airways, and Greencompass Marine S.A. Evergreen Marine owns 39.74%, and Evergreen International 8.45%, of Evergreen International Storage & Transport. See Evergreen Marin.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	2	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

"Fail ?" Company Reports by Country

Taiwan

FORMOSA CHEM&FIBRE, Chemicals 6348715

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Subsidiary of Formosa Plastics (see Formosa Plastics).
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Taiwan

FORMOSA TAFFETA CO, Textiles 6348588

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Subsidiary of Formosa Plastics (see Formosa Plastics).
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Taiwan

NAN YA PLASTIC, Chemicals 6621580

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Owned by Formosa Plastics (see Formosa Plastics); Also, OSHA violations for Nan Ya's American plant--In September 2002, OSHA proposed fines of $313,500 for health and safety violations including 2 alleged willful violations and 28 alleged serious violations.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Taiwan

NANYA TECHNOLOGY C, Semiconductors 6283601

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	Qwned by Formosa Plastics (see Formosa Plastics). As of June 2004, the company faced a proposed class action lawsuit in the U.S. over alleged price fixing.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	2	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	3	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

<table>
<tr><th colspan="3">Thailand</th></tr>
<tr><th colspan="3">BANGKOK BANK, Banks 6077019</th></tr>
<tr><th>CalPERS Policy</th><th>Company Score 1-3*</th><th>Significant Factors Considered</th></tr>
<tr><td>1. Transparency, including elements of a free press necessary for investors</td><td>3</td><td rowspan="20">Controversial Projects: Bangkok Bank is one the Thai banks providing long term loans to build the controversial Nam Theun 2 hydroelectric dam in Laos. In April 2005, nine international commercial banks as well as seven Thai commercial banks including Bangkok Bank, signed a pact to lend a combined $1 billion to build the controversial Nam Theun 2 hydroelectric dam in Laos. The project, originally conceived in the mid-1980s, has long been delayed because of environmental and social opposition, but political risk guarantees and loans from the World Bank and Asian Development Bank cleared the way for the project's funding in March 2005. The project, due to be completed in 2009, will divert 93% of the Nam Theun River's flow into the adjacent Xe Bang Fai River basin, generating power for Thailand's electrical grid. It will also submerge nearly 40% of the Nakai Plateau beneath a 450-square-kilometre reservoir. Opponents of the project claim that this will drastically alter the character of two important rivers, displace thousands of villagers and indigenous peoples, affect the livelihoods of another 100,000 people living downstream along the Xe Bang Fai River, and threaten wildlife, including fish stocks in the Nam Theun river and endangered Asian elephants on the Nakai Plateau.

Union Relations: In December 2000, a labor union at Bangkok Bank planned to file suit against the bank alleging the bank broke labor laws by changing working conditions without prior notice. Bangkok Bank changed from fixed bonuses to a system in which bonuses would be based on individual performance.

Burma: Bangkok Bank has a representative office in Yangon, Burma, but provides no commercial banking services there.</td></tr>
<tr><td>2. Political stability</td><td>2</td></tr>
<tr><td>3. Progress towards the development of basic democratic institutions and principles</td><td>3</td></tr>
<tr><td>4. Strong and impartial legal system</td><td>3</td></tr>
<tr><td>5. Property and shareholder rights</td><td>3</td></tr>
<tr><td>6. Labor practices/harmful child labor</td><td>3</td></tr>
<tr><td>7. Corporate social responsibility</td><td>2</td></tr>
<tr><td>8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility</td><td>2</td></tr>
<tr><td>9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work</td><td>3</td></tr>
<tr><td>10. Market regulation</td><td>3</td></tr>
<tr><td>11. Market volatility</td><td>2</td></tr>
<tr><td>12. Currency risk</td><td>2</td></tr>
<tr><td>13. Liquidity risk</td><td>2</td></tr>
<tr><td>14. Repatriation risk</td><td>3</td></tr>
<tr><td>15. Market openness to foreign investors</td><td>2</td></tr>
<tr><td>16. Government commitment to free market policies</td><td>3</td></tr>
<tr><td>17. Legal protection for foreign investors</td><td>2</td></tr>
<tr><td>18. Trading and settlement proficiency</td><td>3</td></tr>
<tr><td>19. Transaction costs</td><td>2</td></tr>
<tr><td>Company Total score:</td><td>48</td></tr>
</table>

* Note – Please see Section 4 for Ratings Definitions.

Thailand

KASIKORNBANK PLC, Banks 6888794

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Controversial Projects**: Kasikornbank is one the Thai banks providing long term loans to build the controversial Nam Theun 2 hydroelectric dam in Laos. In April 2005, nine international commercial banks as well as seven Thai commercial banks, including Kasikornbank, signed a pact to lend a combined $1 billion to build the controversial Nam Theun 2 hydroelectric dam in Laos. The project, originally conceived in the mid-1980s, has long been delayed because of environmental and social opposition, but political risk guarantees and loans from the World Bank and Asian Development Bank cleared the way for the project's funding in March 2005. The project, due to be completed in 2009, will divert 93% of the Nam Theun River's flow into the adjacent Xe Bang Fai River basin, generating power for Thailand's electrical grid. It will also submerge nearly 40% of the Nakai Plateau beneath a 450-square-kilometre reservoir. Opponents of the project claim that this will drastically alter the character of two important rivers, displace thousands of villagers and indigenous peoples, affect the livelihoods of another 100,000 people living downstream along the Xe Bang Fai River, and threaten wildlife, including fish stocks in the Nam Theun river and endangered Asian elephants on the Nakai Plateau. **Corrupt Business Practices**: In March 2005, the Thai Pollution Control Department (PCD) filed a civil lawsuit against five commercial banks, including Kasikornbank, for Bt3 billion in compensation over the Klong Dan corruption case where land ownership papers for a wastewater treatment project site were issued illegally. In February 2005, a former Kasikornbank employee received a 20-year sentence for defrauding customers out of nearly Bt100 million.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Thailand

KRUNG THAI BNK LTD, Banks 6492838

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	56% owned by Financial Institutions Development Fund. **Controversial Projects**: Krung Thai Bank is one the Thai banks providing long term loans to build the controversial Nam Theun 2 hydroelectric dam in Laos. **Corrupt Business Practices**: In February 2005, the Bank of Thailand, Thailand's central bank, filed legal complaints against executives and officers of Krung Thai Bank for malpractice relating to a bad-loans scandal. The Bank of Thailand leveled charges of fraud, embezzlement and malfeasance against 21 current and former employees of Krung Thai Bank, including former bank president Viroj Nualkhair, in connection with 3 loans worth a total of $303 million that the bank made during 2003. The central bank concluded that its rules were violated in three cases causing financial damages to the state-run bank. In March 2005, the Thai Pollution Control Department (PCD) filed a civil lawsuit against five commercial banks, including Krung Thai Bank, for Bt3 billion in compensation over the Klong Dan corruption case where land ownership papers for a wastewater treatment project site were issued illegally. In August 2004, a former employee was sentenced to 80 years in prison for embezzling almost Bt50 million to fund his betting habits. **Burma**: KTB may have branches in Burma.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Thailand

SIAM COMMERCIAL BK, Banks 6889935

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	**Controversial Projects**: Siam Commercial Bank is one the Thai banks providing long term loans to build the controversial Nam Theun 2 hydroelectric dam in Laos. **Burma**: As of December 2004, Siam Commercial Bank owned 10% of Siam Cement Myanmar Trading Ltd., a Burmese financial company. **Other Issues**: In September 2000, the Consumer Protection Board fined Siam Commercial Bank 100,000 baht for failure to comply with credit card guidelines, specifically for violating the customers right to cancel contracts and receive refunds on service fees for the time remaining in such contracts. In 2002, Siam Commercial Bank lost its sales agent status for six months after violating regulations during the 2001 PTT Plc initial public offering by using "virtual terminals" to gain an advantage in the first-come, first-served subscription process over other sales agents; In July 2005, more than 300 employees of Siam Commercial Bank (SCB) rallied at a branch office, demanding for a pay rise.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

Thailand

TMB BANK, Banks 6887887

CalPERS Policy	Company Score 1-3*	Significant Factors Considered
1. Transparency, including elements of a free press necessary for investors	3	As of August 2004, the Thai Ministry of Finance owned 31% of TMB and the Royal Thai Army owned 3.4%. **Controversial Projects**: Thai Military Bank (TMB) is one of the Thai banks providing long term loans to build the controversial Nam Theun 2 hydroelectric dam in Laos. **Corrupt Business Practices**: In April 2005, Thailand's Securities & Exchange Commission (SEC) put the securities sales operations of TMB on probation for one year, due to improper distribution and irregularities of Thai Oil PCL's initial public offering shares. In July 2004, the Thai Central Bank issued a cautionary note to TMB stating that the loan had violated regulations prohibiting the issuing of loans to finance the purchase of a bank's own shares. In December 2000, a former senior bank executive for TMB filed criminal charges against 12 people, including former bank president Thanong Bidaya, for fraud, embezzlement and falsifying documents leading to losses to the bank exceeding one billion baht. In April 2001, the former executive filed complaint at the Lumpini police station that he had been assaulted on April 10 at his home. Injuries to his face required eight stitches. He said he had earlier received numerous death threats that he claimed had stemmed from the criminal filing. **Employee Relations**: In February 2005, employees protested against TMB management over a new salary structure deemed as unfair after both DBS Thai Danu Bank (DTDB) and International Finance Corporation of Thailand (IFCT) merged with the bank.
2. Political stability	2	
3. Progress towards the development of basic democratic institutions and principles	3	
4. Strong and impartial legal system	3	
5. Property and shareholder rights	3	
6. Labor practices/harmful child labor	3	
7. Corporate social responsibility	2	
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	2	
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	3	
10. Market regulation	3	
11. Market volatility	2	
12. Currency risk	2	
13. Liquidity risk	2	
14. Repatriation risk	3	
15. Market openness to foreign investors	2	
16. Government commitment to free market policies	3	
17. Legal protection for foreign investors	2	
18. Trading and settlement proficiency	3	
19. Transaction costs	2	
Company Total score:	**48**	

* Note – Please see Section 4 for Ratings Definitions.

3. Section Three – Dimensional's Rejected Holdings Due to CalPERS' Policies

	Country	Company Name	
1.	**India**	**ABB LTD (INDIA) 6124540**	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** Subsidiary of ABB (Switzerland). **Bribery**: ABB has been involved in several bribery controversies in recent years. In July 2004, ABB reached an agreement with the US SEC and the DoJ to pay US$16.4 million in fines and for making illegal bribes to win oil contracts in Nigeria. **Controversial Projects**: ABB has a history of involvement with many controversial projects, and has been the target of criticism from many advocacy organizations for contracting on projects that are inconsistent with sustainable development and human rights: China (ABB is a significant contractor for the Three Gorges Dam project in China.); Malaysia (ABB was a primary contractor for the construction of the 2400 MW Malaysia's Bakun Dam. Many international NGO's criticized the project for displacing tens of thousands of native peoples and permanently destroying sensitive ecology. Complications from political and financial instability led to the cancellation of this contract.); Sudan (As of 2005, ABB had operations in Sudan.); Turkey (ABB supplied equipment for the Ataturk and Karakaya dams, which, between them, displaced 80,000 people, the great majority of them Kurds, living along the Euphrates valley.); India (ABB supplied generating equipment for the Maheshwar dam in India, part of the Narmada Valley Development Project). **Asbestos**: ABB's asbestos claims date back to the 1960s and the 1970s when Combustion Engineering (CE), a power generation equipment manufacturer, used asbestos in power station construction. ABB bought CE in the 1990s. In March 2005, ABB agreed to pay an additional $232 million to settle lingering asbestos claims. The $232 million was in addition to the $1.2 billion the company had already agreed to pay. ABB has faced than 100,000 asbestos suits in the U.S.
2.	**India**	**HINDUSTAN LEVER 6261674**	**Failed Policies: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** 51% owned by Unilever. **Environment**: In October 2004, India's Supreme Court Monitoring Committee on Hazardous Waste imposed a fine of Rs50 crore (approximately US $11 million) on Hindustan Lever Ltd for environmental damage caused by its mercury thermometer factory, which polluted Kodaikanal, a hill station in Tamil Nadu, India. **Employee Health & Safety**: In June 2001, Unilever admitted that its Hindustan Lever subsidiary's mercury thermometer manufacturing facility in Kodiakanalis, India was the source of mercury-contaminated dumps exposed by Greenpeace in March 2001. Unilever also announced plans to shut down the plant and to pay for the clean up of the 5.3 tons of mercury waste illegally dumped at the local Kodiakanalis scrap yard. Trade union leaders and environmentalists allege that 10 employees died of mercury poisoning, and more than 1,000 workers were affected by their exposure to the toxic metal, which they were allegedly made to handle without any protective gear. **Child Labor**: In 2003, the India Committee of Netherlands (ICN) published report findings that hybrid cottonseed production in Andhra Pradesh, India, relies heavily and increasingly on female child labor. The report highlighted the involvement of several multinational corporations (MNCs), including Unilever, in the process. Unilever's Hindustan Lever Limited (HLL) denied that it had direct contact with farmers or that child labor was used to cultivate the seeds it bought. HLL transferred its seed business in 2002 to its joint venture, Paras Extra Growth Seed Ltd, in which HLL holds a 26% stake. In April 2004, HLL announced plans to withdraw from its Paras Extra Growth Seeds joint venture.

3.	**India**	**MANGALORE REF &PET 6121530**	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility**
			MRPL is a subsidiary of state-owned Oil & Natural Gas Corp. (ONGC). **Human Rights**: Through its wholly-owned subsidiary ONCG Videsh (OVL), ONGC is active in a number of countries with ongoing human rights problems. Sudan: (OVL has a 25% interest in the Greater Nile Oil Project (GNOPC) in Sudan and a 24% interest the White Nile Petroleum Corp (WNPC) consortium for development of Sudan's Thar Jath oil fields.); Burma (OVL has a 20% interest in a consortium developing offshore Block A-1 of Burma.); Sakhalin (OVL owns 20% of the Sakhalin I oil and gas project, which has been opposed by environmental groups.); OVL also has stakes in oil fields in Iran, Iraq, Syria, Libya, Vietnam and Angola. **Environment**: In July 2005, an oil spill from an ONGC storage tank in Ola village in Mehsana district spread across a five kilometer radius, severely affecting the flora, fauna, and agriculture of the region. **Employee Safety**: In July 2005, a fire on ONGC's Bombay High North oil platform killed at least ten workers. In September 2005, seven ONGC workers were reported missing after a rig caught fire while they were drilling an onshore well in the Krishna-Godavari basin at Tandavapalli village; MRPL: **Community Relations**: In February 2004, people of Rajghatta village on the outskirts of Hassan laid siege to the Deputy Commissioner's office urging the district administration not to sanction land to the proposed storage plant of Mangalore Refineries and Petrochemicals (MRPL). The villagers alleged that effluents generated by the plant would pollute drinking water sources in the village.
4.	**Korea**	**DAEWOO ENGINEERING 6344122**	**Failed Policy: Corporate social responsibility**
			Illegal political donations (bribes): In January 2004, a representative of the Uri political party (formerly of the MDP) was arrested for taking bribes from Daewoo E&C in return for business favors in 2000. In January 2004, several additional former Millennium Democratic Party (MDP) members were facing arrest for accepting illegal political funds from Hightech Housing, a Daewoo E&C subsidiary, during the 2002 election; The company has admitted to the illegal donations. In March 2004, a former executive of Daewoo Engineering and Construction Co, Nam Sang-kook, committed suicide after President Roh Moo-hyun publicly named him as part of an unfair lobbying scandal.
5.	**Korea**	**HYUNDAI MERCH MARI 6405869**	**Failed Policy: Corporate social responsibility**
			Corrupt Business Practices: In December 2004, the Securities & Futures Commission fined Hyundai Merchant Marine two billion won ($2 million) over misstatements in its financial accounts in 2000 and 2003.; In July 2003, Kim Choong-sik, former president of Hyundai Merchant Marine Co., admitted to Prosecutors that the Hyundai Group in January 2000 sent $25 million in illegal funds to a Swiss bank account belonging to Kwon Roh-kap, former member of the Millennium Democratic Party's Supreme Council, to help fund the party's campaign for the April 2000 legislative elections.; HMM was involved in a 2003 political controversy over allegations that HMM's payment of $500 million to secure exclusive rights to several projects in North Korea was used to pay for the Inter-Korean summit of 2000. In June 2003, the special counsel indicted Chung Mong-hun, chairman of Hyundai Asan, the Hyundai affiliate handling inter-Korean economic cooperation projects, on charges of instructing Hyundai Merchant Marine President Kim Choong-shik to doctor HMM's financial documents to falsely show the shipping firm bought three ships costing 223.5bn won. The special counsel charged that the window-dressing was aimed at covering up the remittance of a similar sum to North Korea. **Environment**: In December 2004, two boxships, Hyundai Merchant Marine's Hyundai Advance and NSB Niederelbe's MSC Ilona, collided off southern China near the Pearl River, spilling pollution. China impounded HMM's ship shortly after it left the collision site without permission.

6.	**Korea**	**HYUNDAI MOTOR CO 6451055**	**Failed Policy: Corporate social responsibility**
			15% owned by Hyundai Mobis and owns 37% of Kia. **Corrupt Business Practices**: In June 2004, Kim Dong-jin, chief executive and vice-chairman of Hyundai Motor, was found guilty of funneling millions of dollars to politicians before South Korea's 2002 presidential election, violating laws that limit business donations. He received a two-year suspended prison sentence for political funding violations and negligence. In June 2003, company was one of several S.Korean chaebols subject to probe by FTC into alleged illegal business practices. The investigation resulted in fines for several groups, including Hyundai Motor. In May 2005, prosecutors in Ulsan froze and began examining the bank accounts of nearly 80 personnel from both Hyundai Motor and its union as part of their investigations into suspicions that several union executives accepted bribes in exchange for jobs at the carmaker's Ulsan plant. Three union members were arrested after allegedly receiving money from job applicants. **Union Relations**: In December 2004, the Ministry of Labor reviewed a complaint filed by the Hyundai Motor union, and found that Hyundai Motor had tried to reduce labor costs by illegally using 8,000 temporary employees of its subcontracting companies at production lines in Ulsan and Chonju. Although hired by Hyundai's subcontract firms legally, they do the same job as Hyundai employees, but are paid less. Faced union allegations of nepotism in management in January 2003 after four relatives of the chair were promoted to VP posts; union problems at Han Young maquiladora in Tijuana in 1997.
7.	**Korea**	**KOREAN AIR LINES 6496766**	**Failed Policies: Corporate social responsibility**
			Part of Hanjin Group. **Corrupt business practices**: Hanjin Group chairman and Korean Air CEO, Cho Yang-ho, was indicted in April 2004 for making illegal political donations of 2 billion won to the opposition Grand National Party (GNP) in 2002; In June 2004, Cho Yang-ho was found guilty of funneling millions of dollars to politicians before South Korea's 2002 presidential election, violating laws that limit business donations. He received a one year suspended prison sentence. In February 2000, Cho Yang-ho, was convicted of tax evasion and sentenced to a four-year prison term. He was also ordered to pay 30 billion won in fines for evading KRW27.3 billion in taxes. **Safety Issues**: A July 2003 report by the UK's Air Accidents Investigation Branch (AAIB) found that the December 1999 crash of a Korean Air Lines cargo plane near Stansted airport (UK) occurred because a known fault was not repaired. The plane had a faulty electronic aid, which meant the pilot was misinformed about the angle of the aircraft. Both pilots and two engineers were killed; Pilot fatigue linked to August 1997 crash in Guam in which 228 people were killed.

8.	**Korea**	**SK CORP 6988371**	**Failed Policies: Corporate social responsibility**
			Corrupt Business Practices: SK Group former chair Son Kil-seung indicted for illegal campaign financing in April 2004 on charges of providing 1.1 billion won in illegal lobbying funds to Choi Do-sul, a former presidential secretary for general affairs. He was arrested in January 2004 on charges of embezzlement, tax evasion and providing illegal political funds to both the GNP and President Roh's camp just before the 2002 election. In June 2004, the former chairman Son Kil-seung was sentenced to three years in prison for wide-ranging malpractice, including tax evasion and misuse of SK Group company funds.; SK Corp. holds a 50% interest in SK Networks (formerly SK Global), a firm that became the center of a $1.2 billion accounting fraud scandal in March 2003. In June 2003, several SK Corp. executives, including chairman Chey Tae Won, were sent to jail for their involvement in this scandal. Chey was released on bail in September 2003 and resumed position as SK Corp's CEO and chair (despite resistance of SK Corp's major foreign investor, Sovereign Asset Management); In March 2005, Chey again survived attempts by foreign investors to oust him on grounds of corruption. **Union relations**: In May 2005, police arrested three unionists of SK Corp., ending an 18-day-long illegal at the company's refining plant. The unionists had staged the walkout since May 1 by occupying the top of the firm's refining tower at its plant, demanding that management engage in collective bargaining with the union over pay. **Indigenous Peoples Relations**: SK Corp. is involved in the controversial Camisea gas project in Peru. The project is located in the southeastern Peruvian Amazon and covers the legally recognized and titled territory of several nomadic, isolated, and uncontacted indigenous peoples. **Employee Safety**: In January 2005, SK Corp.'s laboratory building in Daejon, South Korea, exploded, wounding six researchers.
9.	**Korea**	**SK NETWORKS CO LTD B04PZG1**	**Failed Policy: Corporate social responsibility**
			SK Networks, formerly known as SK Global, is 50% owned by SK Corp. **Corrupt Business Practices:** SK Global was involved in a $1.2 billion accounting fraud scandal in March 2003. In June 2003, several SK Corp. executives, including chairman Chey Tae Won, were sent to jail for their involvement in this scandal. Chey was released on bail in September 2003 pending appeal, and resumed his position as SK Corp's CEO and chair (despite resistance of SK Corp's major foreign investor, Sovereign Asset Management.) As of April 2005, prosecutors were calling for a six-year jail sentence for Chey Tae-Won, as judges heard an appeal against his conviction for accounting fraud in 2003. In March 2005, Chey again survived attempts by foreign investors to oust him on grounds of corruption.
10.	**Malaysia**	**MALAY AIRLINE SYST 6556682**	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility**
			Gender Discrimination: Malaysia Airlines revised some of its hiring policies in May 2005 after holding negotiations with its workers' union. The revised policies permit flight attendants to have up to three children, from a previous limit of two, and stewardesses over the age of 45 will be allowed to move into ground jobs and work up to the age of 55. As of 2005, Unions and NGOs were pressuring the company to change its discriminatory policies toward women (the company required female cabin crew to retire at age 40, or 45 if they are supervisors, while the male cabin crew retired at 55. Women were not allowed to become pregnant until they had been employed for 5 years, and could have a maximum of two children.) KLD views the company's revised policies as a step in the right direction, but still discriminatory. In March 2005, a former stewardess fired in 1991 for becoming pregnant lost a long-running legal battle to win her job back. In November 2003, the company terminated a female employee because she was into her third pregnancy. **Corruption**: In July 2005, the New Straits Times reported that fraud charges might be brought against several former senior executives of Malaysia Airlines after a three-year probe into various contracts and projects that were awarded in violation of existing laws. Alleged management irregularities under previous management (1996-2000), including possible corruption and misappropriation of funds and assets. **Burma:** Makes flights to Burma and has leased aircraft to Myanmar Airways International. **Safety**: In June 2002, the U.S. FAA fined MAS $110,000 for transporting hazardous waste on a passenger aircraft; In 1999, a British safety investigation revealed that MAS ordered its pilots to fly with minimum fuel when weather conditions were favorable in order to save on costs.

11.	**Malaysia**	**MALAYSIA INT SHIP 6558031**	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** 62% owned by Petronas, a state-owned company. Petronas is active in a number of countries with ongoing human rights problems. See Petronas Gas for details. **Environmental Controversies** In 2001, Malaysian Int'l Shipping was fined $220K after one of its ships ran aground on Australia's Great Barrier Reef, causing serious environmental damage. The company agreed to pay the costs of cleaning up and monitoring the reef site. **Health& Safety**: In 2002 Petronas was charged with negligence by the Dept. of Occupational Safety & Health after three workers died and four were injured in a fire at the Kerteh Petronas gas processing plant.
12.	**Malaysia**	**MMC CORPORATION 6556648**	**Failed Policies: Corporate social responsibility** **Controversial Projects:** Sudan (MMC, through its MMC Oil & Gas Engineering subsidiary, has operations in Sudan. In July 2004, MMC secured an engineering, procurement, construction and commissioning contract with Petrodar (a co-venture entity comprising China National Petroleum Company International (Nile) Ltd. (41%), PETRONAS Carigali Oversea Sdn Bhd (40%), Sudapet Limited (8%), Gulf Oil Petroleum Ltd (6%) and Al Thani Corporation (5%)) for an export pipeline for the Melut Basin development project in Sudan. The construction of the pipeline, which will link the Melmut Basin to the export terminal near Port Sudan, has been divided into separate projects. One is being built by a group led by MMC Corporation, another by Russia's Stroitransgas. They are scheduled for completion in 2005, but as of October 2005, did not appear to have been completed. **Burma**: In September 2002, MMC's 70% owned subsidiary Tepat Teknik was contracted by Myanmar's Ministry of Agriculture and Irrigation to build two mini-hydropower plants in Myanmar's Yangon division. Tepat Teknik will supply the necessary machinery and be responsible for installation, while the Irrigation Department of the ministry will handle the construction work. MMC's 75% owned subsidiary, MMC Metal Industries Sdn Bhd (MMI), exports railway products to Myanmar.

13.	Malaysia	PETRONAS DAGANGAN 6695938	**Failed Policies: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** 70% owned by Petronas, a state-owned company. Petronas is active in a number of countries with ongoing human rights problems (ee Petronas Gas for details.). **Health & Safety**: In 2002 Petronas was charged with negligence by the Dept. of Occupational Safety & Health after three workers died and four were injured in a fire at the Kerteh Petronas gas processing plant. In October 2004, there were two oil leaks from a platform operated by Petronas Carigali Sdn Bhd.
14.	Malaysia	PETRONAS GAS 6703972	**Failed Policies: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** 60% owned by Petronas, a state-owned company. **Human Rights**: Petronas is active in a number of countries with ongoing human rights problems. Burma (Petronas is heavily invested in Burma. The company owns 100% of Petronas Carigali Myanmar, a company that explores for and produces oil and gas in Burma.); Sudan: (Petronas owns 30% of the Greater Nile Petroleum Operating Company (GNPOC) and 68% of the White Nile Petroleum Corp (WNPC) consortium for development of Sudan's Thar Jath oil fields. GNPOC's project includes three blocks (1,2, and 4) in the Muglad basin in the Western Upper Nile region of southern Sudan and a 500-kilometer pipeline that runs from the oil fields to Port Sudan on the Red Sea.); Chad: (Petronas holds a 35% stake in a consortium that, in June 2000, received World Bank funding for a controversial 660-mile oil pipeline running between southern Chad and Cameroon on Africa's Atlantic coast. The pipeline was completed in 2003. Environmental and human rights groups warned of the risks behind such a project, given the history of corruption and human rights abuses by the Chad and Cameroon governments.); Ethiopia: (In July 2005, Petronas signed a four-year exploration deal with Ethiopia, and a rebel group warned that such a deal would not be acceptable until people in the region have their own government.); Thailand: (In September 2002, thousands of villagers and environmentalists rallied to stop the construction of the Thai-Malaysia gas pipeline, a project that is a joint venture between PTT Plc and Petronas. As of July 2003, the pipeline had been delayed for three years because of protests by Thai villagers concerned about damage to the environment.) **Health&Safety**: In 2002 Petronas was charged with negligence by the Dept. of Occupational Safety & Health after three workers died and four were injured in a fire at the Kerteh Petronas gas processing plant.
15.	Malaysia	SIME DARBY BHD 6808769	**Failed Policies: Corporate social responsibility** **Indigenous Peoples Relations**: Owns 70% of Sime Engineering, a consortium member of the Malaysia-China Hydro Joint Venture for the controversial Bakun dam project in Borneo (Sime Eng. holds a 51% stakes in the JV); In 1999, 10,000 indigenous Kenyah and Kayan people were forcibly relocated from their ancestral homes to make way for the dam. These people are struggling to survive on resettlement sites, where unemployment and hunger are prevalent. The situation threatens to worsen in coming years, particularly as compensation payments dry up, the fertility of land drops, and people are forced to pay back housing loans. In September 2003, people living downstream of the Bakun hydro-electric dam project site appealed to the state and federal authorities for help as they are suffering from water and food shortage and flood and transportation problems. These people are not considered as project affected and have been excluded from the planning process. Their daily livelihood and their children's education had been seriously affected for more than two years due to floods, water and food depletion, health problems and disruption of river transportation. Project due to be completed in 2007. **Corruption**: As of September 2004, Sime Darby's Performance Motors JV, a BMW agent, was being investigated by the Corrupt Practices Investigation Bureau.

16.	**Malaysia**	**SIME UEP PROPS BHD 6915250**	**Failed Policy: Corporate social responsibility** 51% owned by Sime Darby; See Sime Darby (Indigenous Peoples Relations).
17.	**Mexico**	**GPO MEXICO SA 2643674**	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** Grupo Mexico and its Asarco subsidiary have faced numerous employee relations and environmental controversies in recent years. Only the most recent or egregious are outlined here: **Environment/Community issues**: In July 2004, a civil lawsuit was filed against four mining companies, including ASARCO, on behalf of 45 children who were exposed to lead at the Tar Creek Superfund site. The suit seeks more than $300,000 in actual and punitive damages for their medical problems and suffering. In May 2004, a study released by the Texas Department of Health found that children who lived closest to Asarco's El Paso smelter were more likely to have high levels of lead in their blood than those who lived farther away. The report does not claim the smelter is the cause of the elevated blood levels, but it implies a link. In December 2003, the Quapaw Tribe sued seven companies, including ASARCO, for environmental damage of tribal lands at the Tar Creek Superfund site in Oklahoma.; In December 2004, new soil tests by Washington’s Department of Ecology showed airborne arsenic and lead pollution from the former Asarco smelter in Tacoma had spread over about 1,000 square miles of the Puget Sound area, double the area that was previously indicated.; In May 2005, Asarco agreed to pay $86,000 to the state of Colorado for the cleanup of pollution at the Summitville gold mine Superfund site. State environmental regulators had accused Asarco and another company of contributing to pollution at the site, where seeping toxic metals from gold operations polluted a 17- mile stretch of the Alamosa River; In May 2005, the United Steelworkers (USW) criticized Asarco for suing residents of Hayden and Winkelman, Arizona, in an attempt to deny them the right to hold Asarco accountable in court for harmful effects of the company's pollution. Asarco stated that because pollution from these operations was "obvious," people who settled next to the operations should be barred from seeking relief in court for health effects or property damage caused by it. **Union Relations**: In July 2005, nearly 1,500 union workers at Asarco's Arizona copper operations went on strike to protest the company’s failure to negotiate in good faith. The company wants a three-year wage freeze and reductions in pension and medical benefits.
18.	**Mexico**	**TV AZTECA 2096911**	**Failed Policy: Corporate social responsibility** **Corrupt Business Practices:** Ricardo Salinas is the chair and controlling shareholder of TV Azteca. In January 2005, the US Securities Exchange Commission sued TV Azteca, its holding company and three executives, including Ricardo Salinas, accusing them of a civil fraud of more than $100 million in connection with the company's repurchase of its own debt. The SEC complaint stated that these executives orchestrated fraudulent arrangements to conceal executive Ricardo Salinas Pliego's involvement in transactions from which he gained personal profits of $109 million. Mr. Salinas bought debt owed by TV Azteca's cellphone unit, Unefon, at a discount in June 2003 and sold it back to the company at full price in October. He and a partner (Moises Saba Masri: chair of Unefon) each took in $109 million from the deal, but his role was not disclosed to shareholders of Unefon or TV Azteca at the time. Independent directors first learned of the deal in December 2003 from TV Azteca's lawyers. The firm withdrew as counsel to TV Azteca, citing a provision of the Sarbanes-Oxley Act of 2002, which requires lawyers to notify directors if they believe a company may have broken securities laws. TV Azteca’s independent directors subsequently hired their own lawyers to study the transaction, and in May 2004, two of the independent directors resigned. In an unrelated case, in February 2004, the U.S. Securities and Exchange Commission filed charges against Moises Saba Masri, chair of Unefon, for alleged price manipulation of TV Azteca’s stock. Unefon is a JV between the Saba family and TV Azteca.

19.	**Mexico**	**WAL-MART DE MEXICO B02YZ04**	**Failed Policy: Labor Practices/harmful child labor, Corporate social responsibility, Compliance with the International labor Organization (ILO) Declarion on Fundamental Principles and Rights at Work**
			Subsidiary of Wal-Mart Stores of the U.S. **Labor Violations**: a company that has been associated with labor rights problems both inside and outside the U.S; Wal-Mart also has the reputation of being anti-union and the NLRB has filed 40 complaints accusing Wal-Mart of intimidating or firing employees who wanted to unionize in recent years. In addition, Wal-Mart has faced a number of lawsuits and allegations in relation to its labor force, including alleged unpaid overtime, use of illegal immigrant labor, and child labor violations. Wal-Mart has also faced a large number of lawsuits alleging harassment and discrimination. **Corrupt Business Practices**: In July 2004, a Mexican Congress commission asked the competitiveness commission Cofeco to start an investigation into Walmex, based on the presumed monopolistic practices. WalMex was also investigated for monopoly behavior in 2002/2003. In March 2003, Mexico's Federal Competition Commission closed an investigation of Wal-Mex's purchasing practices citing a lack of evidence that the retailer violated competition laws. **Community Relations**: Community controversy over the siting of a WalMex store near the ancient ruins of Teotihuacan in September 2004--the company received approval to begin construction in October 2004.
20.	**Poland**	**MONDI PACK PAPER 5206740**	**Failed Policy: Corporate social responsibility**
			72% owned by Anglo American Plc. **Employee Health and Safety problems**: Many worker deaths and the company is facing a multi-million pound legal battle with former gold miners in South Africa who claim to have contracted crippling lung disease silicosis as a result of bad ventilation in mines. **Environmental problems**: Anglo American is heavily involved in heap-leach, open-pit mining for metals. These operations have a host of environmental issues, including toxic runoff, groundwater contamination and depletion, and habitat and aesthetic destruction. Open pit mining and pollution of community in Durban, South Africa. **Community Relations**: Indigenous peoples controversy in Colombia involving the involuntary relocation of the village of Tabaco; In July 2004, De Beers SA admitted its part in a criminal conspiracy to fix prices in industrial diamonds and agreed to pay a $10 million fine, ending a decade-old U.S. government lawsuit. De Beers is 45%-owned by Anglo American PLC.; Mondi: **Employee Relations**: In August 2005, Mondi Business Paper (formerly known as Neusiedler) dropped a lawsuit against five former employees, agreeing instead to an out of court settlement. The company had countersued the employees for libel after they sued the company for unfair dismissal. Background: MBP fired five employees in late 2004 for violating the Labour Code by giving the media false information on company salaries. The five responded by suing MBP for unfair dismissal, and formed a new trade union, Papier in Mondi, to counterbalance the Timber, Forest and Water Union (the only union MBP had recognized up to now). In response to this MBP launched a countersuit. In June 2005, a district court ruled in favor of the five employees with regards to their unfair dismissal claim.

21.	**South Africa**	**ANGLO AMERICAN PLATI 6761000** `	**Failed Policy: Corporate social responsibility**
			67% owned by Anglo American. **Employee Health and Safety problems**: Many worker deaths and the company is facing a multi-million pound legal battle with former gold miners in South Africa who claim to have contracted crippling lung disease silicosis as a result of bad ventilation in mines. **Environmental problems**: Open pit mining and pollution of community in Durban, South Africa. **Community Relations** Indigenous peoples controversy in Colombia involving the involuntary relocation of the village of Tabaco. In September 2004, residents of GaPila near Mokopane, South Africa, marched to the Chamber of Mines in Johannesburg to protest against being forcibly removed to make way for an Anglo Platinum mine. The protesters were mainly elderly people, and demanded that the mine be stopped until their grievances were met. Anglo Platinum apparently promised to pay R100,000 to each household as compensation for the removal, but that promise had allegedly not been met. **Union Relations**: 13-day strike by members of the National Union of Mineworkers (NUM) in October 2004--protesters clashed with police while demonstrating for higher wages. In July 2004, the National Union of Mineworkers, the National Union of Metalworkers of South Africa and Solidarity held a sit-in strike at the Anglo Platinum Base Metal Refinery in Rustenburg over bonuses.
22.	**South Africa**	**ANGLOGOLD ASHANTI LT 6565655**	**Failed Policy: Corporate social responsibility**
			56% owned by Anglo American; DRC. **Corrupt Business Practices**: In February 2005, the Mail and Guardian reported that, according to a United Nations report, AngloGold Ashanti could have violated the arms embargo on the eastern Democratic Republic of Congo. The UN report alleged that the company provided housing for a rebel leader and paid the rebel group “taxes”. In June 2005, Human Rights Watch released a report, entitled “The Curse of Gold,” documenting how local armed groups fighting for the control of gold mines and trading routes in the Democratic republic of Congo (DRC) have committed war crimes and crimes against humanity using the profits from gold to fund their activities and buy weapons. In investigating and reporting on AngloGold Ashanti's activities in the Ituri region of the DRC, the report alleges that AngloGold Ashanti developed links with an armed group, helping them to access the gold-rich mining site around the town of Mongbwalu in the northeastern Ituri district. AngloGold Ashanti claims there was no working or other relationship with the armed groups but it said that it had made certain payments in the past to one group under “protest and duress”. **Employee Health and Safety problems**: Anglo American: many worker deaths and the company is facing a multi-million pound legal battle with former gold miners in South Africa who claim to have contracted crippling lung disease silicosis as a result of bad ventilation in mines; AngloGold: Several miner deaths in recent years. **Environmental problems**: Open pit mining and pollution of community in Durban, South Africa; Anglogold Ashanti has had serious pollution problems with cyanide at its Yatela and Sadiola mines in Mali since 2001.

23.	**South Africa**	**MITTAL STEEL SOUTH A 6182117**	**Failed Policy: Corporate social responsibility**
			Majority owned by Mittal Steel NV and formerly known as Ispat Iscor. **Negative Community Impact**: In 2002, Iscor obtained a gag order against members of the Steel Valley Crisis Committee after the group took Iscor to court to demand that the company implement measures to protect their Vaal Triangle community (Linkholm and Steel Valley) from pollution. The plaintiffs (16 families) allege that they are subjected to toxic emissions from Iscor's Vanderbijlpark plants and that chemicals from the company had poisoned a river, which was used by their livestock for drinking. The gag order was lifted by the Johannesburg High Court in September 2002. In 2000 Iscor agreed to an out-of-court settlement in which it agreed to set aside R33-million to buy the properties adjoining its Vanderbijlpark plant, whose ground water it had been accused of polluting. (Property owners and farmers living near the plant had threatened to file suit against Iscor for polluting their land.). This was a groundbreaking in South Africa, and despite the 2000 settlement the company has maintained a level of pollution that is harmful to the surrounding community. Iscor's pollution has affected other communities as well. **Poor Union Relations**: Iscor brought in replacement workers during a 2003 strike over back pay, restructuring and salary scales; Mittal Steel NV has a history of strained relations with its unions. **Transparency/Corruption**: In August 2003, Beeld, a South African newspaper, reported that Iscor employees were told to destroy documents that might point to its polluting ground and runoff water in Vanderbijlpark (see community info above) **Employee Safety**: In December 2004, an explosion at the Shakhtinskaya coal mine in Kazakhstan, which is owned by Mittal Steel's Ispat Karmet subsidiary, killed 23 people. A March 2005 article by the Associated Press stated that the Indiana Occupation Safety and Health Administration had cited Ispat Inland for at least 86 violations since 2000, with 55 of the serious violations reported after a 2002 inspection.
24.	**South Africa**	**SAPPI LIMITED 6777007**	**Failed Policy: Corporate social responsibility**
			Employee Health and Safety: In May 2004, the Occupational Safety & Health Administration cited and fined Sappi Fine Paper in Cloquet, Minnesota, for violations that caused or contributed to the death of an employee in a mill fatality in November 2003.; In 2001, Sappi Fine Paper's Somerset Mill was fined $70,500 by OSHA following an investigation into an accident that killed an employee in 2000; In 1999 a former nurse manager at the S.D. Warren Somerset mill sued Sappi, the mill's owner, alleging that she lost her job for questioning new policies for reporting workplace injuries. **Negative Community Impact**: Residents in Maine sued Sappi in 2000 claiming that the company is partially responsible for allowing a decade of dumping of fly-ash and unapproved toxic waste in gravel pits; The plaintiffs allege that deaths and the prevalence of disease in the area are linked to the waste that was dumped in the pits from 1976 to 1985 by SD Warren, a company that is now owned by Sappi; In September 1999, a sulphur dioxide gas leak from Sappi's Ukomaas plant in South Africa sent many children in a neighboring school to the hospital for treatment--an investigative panel claimed that there had been 18 such uncontrolled emissions since 1996. **Water Pollution**: In August 1999, the company was accused of polluting the Nkomati River and thereby contaminating drinking water for southern towns in Mozambique; In October 1999 Sappi's UK subsidiary was fined 17,500 pounds after pleading guilty to polluting three rivers with the toxic chemical Chemisolv CB375 in England.

25.	Taiwan	EVERGREEN MARINE C 6324500	**Failed Policy: Corporate social responsibility**
			Evergreen Marine is part of Evergreen Group, which includes Evergreen International, Evergreen Marine, Evergreen America and Greencompass Marine S.A. **Environmental Issues**: In April 2005, Evergreen International entered into an agreement with the U.S. Department of Justice and the United States Attorneys for the District of New Jersey, District of South Carolina, District of Oregon, Western District of Washington and the Central District of California to settle allegations that between 1998 and 2001 several of its vessels bypassed pollution control equipment and discharged oily bilge water directly into international waters. In U.S. District Court, the company pleaded guilty to 24 felony charges and one misdemeanor, and agreed to pay a fine of $15 million as well as an additional $10 million for environmental projects in five states. The plea followed a four-year, five-state criminal probe of Evergreen International, which federal attorneys claim sought to save time and money by routinely dumping waste oil into the ocean instead of taking it to shore for disposal In March 2003, Washington State's Department of Ecology fined Evergreen Marine $77,578 after one of its containerships spilled 500 gallons of fuel oil into the Columbia River in 2001. **Union Relations**: There was a 28-day strike in 2003 after Evergreen America port captains in New Jersey voted 3-2 to be represented by the ILA, an outcome that was certified by the National Labor Relations Board. Evergreen refused to recognize the election result, claiming that the port captains are not eligible to be unionized because they are managers. This led to a protracted strike that disrupted Evergreen operations at East Coast ports where ILA longshoremen refused to cross the port captains' picket lines. As of April 2004, a separate case involving the ILA's effort to unionize 115 Evergreen office workers in Jersey City was pending before a U.S. district court in Newark, N.J and the NLRB. The workers voted 61-52 against ILA representation in 2002, but the union challenged the results, claiming the referendum was tainted by company coercion.
26.	Taiwan	FORMOSA PLASTIC 6348544	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility**
			Employee Safety: In October 2005, thirteen people were injured, one seriously, in a plastics factory explosion at the Formosa Plastics facility in Point Comfort, Texas. In October 2004, US Federal safety officials proposed a $361,500 fine against Formosa Plastics USA for an April 2004 explosion at its Illiopolis, Illinois, PVC plant that killed five workers and destroyed much of the facility. At this time, the Occupational Safety and Health Administration issued three willful violations, the most severe the agency can assess, and 45 serious violations. In April 2005, the company agreed to pay a reduced fine of $300,000 and hire safety experts to review its plans to rebuild the plant. In December 2000, Formosa Plastics was cited by OSHA for nine safety and health violations, including one willful violation, and asked to pay a $114,000 penalty. **Environment**: In June 2005, Formosa Plastics agreed to pay a $450,000 penalty in settling a joint federal-state lawsuit over excess vinyl chloride emissions and other violations of federal and state environmental laws at Formosa's facility in Delaware City, Delaware. In October 2004, the state ordered Formosa Plastics to pay $150,000 for emission violations at the company's Point Comfort plastic and petrochemical plant in Calhoun County, Texas; In 2002, Formosa Plastics' Point Comfort plant ranked 26th in the state of Texas for total air releases, eighth for release of chemicals with ozone depleting potential, and 29th for releases to the air of cancer-causing materials. **Employee Relations**: In September 2005, several labor groups went to Taiwan’s Council of Labor Affairs to protest on behalf of laborers from the Philippines working for the Formosa Plastics Group's sixth naphtha cracker plant who they alleged had been beaten and improperly treated. The labor groups, including the Hong Kong-based Asia Pacific Mission for Migrants, claim that Filipino laborers at the naphtha cracker plant in the Mailiao Industrial Zone in Yunlin, southern Taiwan, have had their wages deducted illegally, live in squalor and eat by the side of a ditch because of a lack of proper dining areas. Formosa Plastics responded by denying the beating allegations and stating that its contractors are in charge of the hiring, use and management of foreign laborers, although it exercises "rigorous supervision" with respect to the laborers. Dumped mercury-laden waste in Cambodia in 1998 after Taiwanese government would not allow it to be buried in Taiwan; caused local residents to move for fear of harmful health effects.

27.	Taiwan	POU CHEN 6696157	**Failed Policy: Labor Practices/harmful child labor, Corporate social responsibility** Major sweatshop and labor controversies since at least 1997 (particularly in Vietnam); Nike's largest subcontractor. As of March 2004, Pou Chen had an estimated 16% share of the global footwear market, and received orders from 30 sportswear brands including Nike, Reebok, Adidas, Puma and ASICS. In March 2004, the Clean Clothes Campaign, Global Unions and Oxfam launched a labor rights campaign called Play Fair at the Olympics. The campaign calls on the International Olympic Committee (IOC) and companies including Nike to improve working conditions at supplier factories, including those of Pou Chen. The Play Fair at the Olympics report alleges that the sportswear made by Puma, Umbro, Fila, Adidas, Reebok, Nike and ASICS is being produced by workers around the world whose rights are being regularly violated. In March 2002, NGOs including Global Exchange, Clean Clothes Campaign, Maquila Solidarity Network and Oxfam published a report, titled We Are Not Machines, on poor labor conditions at Nike contracted-factories in Indonesia. One of the factories featured in the report was PT Nikomas Gemilang, which is owned by Pou Chen.
28.	Taiwan	TAIWAN CEMENT 6869937	**Failed Policy: Corporate social responsibility** **Union Relations:** In June 2004, five members of the Paper, Allied-Industrial, Chemical and Energy Workers International Union (PACE) staged a 7-day hunger strike outside of the headquarters of China Synthetic Rubber Co and Taiwan Cement Corp in Taiwan, the parent companies of Continental Carbon. The hunger strike was held to protest against a three-year lockout and alleged environmental pollution by Continental Carbon. PACE members have been locked out of Continental Carbon's carbon black facilities in Ponca City, OK, since a 2001 labor dispute, during which time the company has employed replacement workers at the plant; Environmental pollution by Continental Carbon has affected community and Ponca Native American tribe in Oklahoma--the company is facing lawsuit by the PACE union and the Ponca tribe for alleged air pollution violations. The Ponca and PACE picketed Taiwanese consulates in September 2002. **Environment**: In April 2004, environmentalists sued Taiwan Cement Corp for illegally discharging waste oil in Hualien, Taiwan, and urged the Environmental Protection Administration (EPA) to release a report on soil samples taken at the company's factory. The samples show that there are excess amounts of arsenic and nickel in the soil. EPA officials said that initial testing showed that the cement plant's industrial waste constituted mainly spent diesel.
29.	Thailand	ADVANCED INFO SERV 6412591	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility** Advanced Info Service is controlled by the family of Thaksin Shinawatra, Thailand's prime minister, and is a 43% owned subsidiary of Shin Corporation. See Shin Corporation (Freedom of the Press, Burma, Union Rights.) **Corrupt Business Practices**: In September 2003, the opposition party accused Advanced Info Service, which they regard as Prime Minister Thaksin Shinawatra's telecom company, of building three mobile-phone cell stations on Sor Por Kor land-reform plots. The land-reform plots are only be utilised by poor farmers for agricultural purposes and the opposition claims that the Sor Por Kor land is meant for poor, landless farmers.

30.	Thailand	RATCHABURI ELECTRI 6294249	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility**
			Ratchaburi is 45% owned by Electricity Generating Authority of Thailand (EGAT), a State-owned company. **Controversial Projects**: Laos and Burma: In March 2005, Niemen Reports reported on dams in dictator-run countries. The article stated that developing countries with more advanced economies, such as Thailand, often look to build dams in neighboring countries with less developed economies, such as Laos and Myanmar (Burma), because they are not able to move ahead with any proposed hydroelectric projects at home due to strong objections from environmentalists and local residents. The article specifically cited Electricity Generating Authority of Thailand (EGAT) as a company that is involved in building dams in the rivers of its immediate neighbors, Laos and Myanmar.; Sudan: In October 2005, EGCO submitted a project to the Sudanese government in Khartoum, in conjunction with EGAT and PTT to build a 300 MW power station. **Union Relations**: In April 2005, EGAT's labor union prepared a complaint for the Administrative Court after receiving an order from EGAT managers that allegedly limits employees' freedom of expression. The union claimed that after a year of opposing EGAT's privatization plan, staff were given an order forbidding them from providing information via computer networks, by distributing documents or by giving speeches through loudspeakers. **Environment/Community**: In November 2004, a plan was approved to relocate 669 households affected by pollution from EGAT's Mae Moh power plant in Lampang to a new area several kilometers away. 3,000 residents of the Huay Ped, Huay King and Hua Fai villages, had long been exposed to noise and air pollution, particularly sulphur dioxide, from the lignite-fired plant operated by the Electricity Generating Authority of Thailand (EGAT). **Burma**: Ratchaburi Electricity Generating's Ratchaburi Power Plant uses natural gas from the Yadana and the Yetagun pipelines in Burma as its primary fuel for electricity generation.
31.	Thailand	SHIN CORPORATION 6397546	**Failed Policy: Corporate social responsibility, Compliance with the Global Sullivan Principles of Corporate Social Responsibility**
			Shin Corp. was until recently controlled by the family of Thaksin Shinawatra, Thailand's prime minister. **Freedom of the Press**: In its 2004 Country Report on Human Rights Practices on Thailand, the U.S. State Department's Bureau of Democracy, Human Rights, and Labor expressed concerns about Thailand's Respect For Civil Liberties, particularly its Freedom of Speech and Press. During the year, there were several court cases in which entities in the Government or associated with it used libel laws in apparent attempts to suppress media criticism. In June, a criminal court accepted a libel case filed by the Shin Corporation, which belonged to Prime Minister Thaksin's family, against Supinya Klangnarong, Secretary General of the NGO Campaign for Popular Media Reform; the small, Thai-language Thai Post newspaper; and Thai Post's three editors. The suit stemmed from a July 2003 Post story in which Supinya said that it appeared the Shin Corporation was a major beneficiary of the Prime Minister's policies. The Shin Corporation also filed a $10 million (400 million baht) civil case against the same defendants. The criminal case began in 2005, and the civil case arraignment was to follow the criminal case. As of November 2005, the criminal suit was in progress, with Shin Corp. demanding Bt400-million in damages from Supinya and Thai Post for alleged defamation. A verdict is due to be handed down in March 2006. The case is seen as a barometer for press freedom in Thailand. **Burma:** Shin Satellite is a 51% owned subsidiary of Shin Corp. Shin Satellite leases transponders and the sells end-user equipment to the Burmese government and related state enterprises. **Union Rights**: ITV is a 53% owned subsidiary of Shin Corp. In March 2005, Thailand's Supreme Court ordered iTV to rehire all 21 newsroom staff it fired in 2001 for forming a labor union to protest against alleged government interference.

Section 4 -- Rating Definitions for CalPERS' Policies

CalPERS Policy	Dimensional's Research Process	Rating Definitions
1. Transparency, including elements of a free press necessary for investors	**Level:** Country & Company **Research Used:** Custodian Bank research, network of local brokers, electronic news sources, and Country visit(s) by portfolio managers/other investment. Country visit(s) by portfolio managers/other investment staff; Internal assessments. **Frequency:** Country is visited prior to initial approval and then monitored continuously through various research sources. **Challenges/Comments:** Press freedom – country level. Note: companies as well as government may influence press reports. Monetary and fiscal transparency – country level.	3 – Above average 2 – Lacking some transparency but adequate information if sought 1 – Lacking acceptable transparency
2. Political stability	**Level:** Country **Research Used:** Electronic news sources, Network of local brokers, and Country visit(s) by portfolio managers/other investment staff; Internal assessments. **Frequency:** Continual **Challenges/Comments:** Quality of contacts/word of mouth information is important.	3 – stable 2 – Isolated anomalous events 1 – Systematic shortfalls
3. Progress towards the development of basic democratic institutions and principles	**Level:** Country **Research Used:** Electronic news sources; Internal assessment. **Frequency:** Continual **Challenges/Comments:** Quality of contacts/word of mouth information is important.	3 – No serious incident 2 – Isolated incidents 1 – Systematic shortfalls
4. Strong and impartial legal system	**Level:** Country **Research Used:** Custodian Bank research, Rankings of economic freedom (Heritage Foundation, Cato Institute), Internal assessment; Country visits. **Frequency:** Continual **Challenges/Comments:** Are courts institutionally linked to powerful interests? Comments from multinationals can be informative.	3 – No adverse events 2 – Isolated adverse events 1 – Systematic shortfalls
5. Property/shareholder rights	**Level:** Country & Company **Research Used:** Custodian Bank research, Rankings of economic freedom (Heritage Foundation, Cato Institute), Internal assessment; Country visits. **Frequency:** Continual **Challenges/Comments:** Individual company practice may improve on minimum standards.	3 – Clearly acceptable 2 – Rights are imprecise but with clear precedents 1 – Clearly unacceptable

6. Labor practices/harmful child labor	**Level:** Company **Research Used:** KLD Services **Frequency:** KLD monitors companies continuously for violations and changes co. ratings accordingly. A new list of potential eligible securities is sent to KLD quarterly. **Challenges/Comments:** Major company practice differs from that of small enterprises in informal sector.	3 – No issues detected 2 – Isolated issue, addressed by management 1 – Multiple issues, not addressed by management
7. Corporate social responsibility	**Level:** Company **Research Used:** KLD Services **Frequency**: KLD monitors companies continuously for violations and changes co. ratings accordingly. A new list of potential eligible securities is sent to KLD quarterly. **Challenges/Comments:** Definition varies with local context.	3 – Above average, takes proactive steps 2 – Isolated event, addressed by management 1 – Pattern of incidents, not addressed by management
8. Compliance with the Global Sullivan Principles of Corporate Social Responsibility	**Level:** Company **Research Used:** KLD Services **Frequency:** KLD monitors companies continuously for violations and changes co. ratings accordingly. A new list of potential eligible securities is sent to KLD quarterly. **Challenges/Comments:** Global Sullivan Principles not widely known in Emerging Markets.	3 – Full compliance 2 – Partial compliance 1 – Non-compliance
9. Compliance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work	**Level:** Company **Research Used:** KLD Services **Frequency:** KLD monitors companies continuously for violations and changes co. ratings accordingly. A new list of potential eligible securities is sent to KLD quarterly. **Challenges/Comments:** Compliance, not ratification is major issue for developing countries – big gap between formal and informal sectors.	3 – High level of ratification/ legal definition of compliance 2 – Partial ratification/ legal definition/variable compliance 1 – Low level of ratification/legal definition/compliance
10. Market regulation	**Level:** Country **Research Used:** Custodian Bank research, network of local brokers, electronic news sources, and Country visit(s) by portfolio managers/other investment staff. **Frequency:** Country is visited prior to initial approval and then monitored continuously through various research sources. **Challenges/Comments:** Individual company practice may improve on prescribed local standards.	3 – Regulation conducive to institutional investors 2 – Regulation adequate for institutional investors 1 – Regulation inadequate
11. Market volatility	**Level:** Company & Country **Research Used:** Electronic financial information systems. **Frequency:** Continual **Challenges/Comments:** Currency, liquidity and volatility risk are part of stock decision; Note: high volatility is not correlated with high return in Emerging Markets.	3 – Relatively low volatility 2 – Relatively high volatility, but manageable 1 – High volatility
12. Currency risk	**Level:** Country **Research Used**: Internal assessment **Frequency:** Continual **Challenges/Comments:** Depending on their business, companies will be affected differently by currency changes.	3 – Minimal risk 2 – Average risk 1 – High risk
13. Liquidity risk	**Level:** Company & Country **Research Used:** Internal Assessment **Frequency:** On a per case basis. **Challenges/Comments:** Illiquid stocks require	3 – High liquidity 2 – Acceptable liquidity 1 – Illiquid

	premium return; Conditions may change rapidly.	
14. Repatriation risk market openness to foreign investors	**Level:** Country **Research Used:** Custodian Bank research, network of local brokers; Internal assessment **Frequency:** Continual **Challenges/Comments:**	3 – Little repatriation risk 2 – Economic problems but not entailing repatriation risk 1 – Clearly existing repatriation risk
15. Market openness to foreign investors	**Level:** Country & Company **Research Used:** Custodian Bank research, Rankings of economic freedom (Heritage Foundation, Cato Institute), Internal assessment; Country visits. **Frequency:** Continual **Challenges/Comments:** Trade openness and its effects analysed at company level; Market openness affects each company differently.	3 – Minimal restrictions 2 – Trade and investment restrictions exist, but are consistent 1 – Arbitrary restrictions
16. Government commitment to free market policies	**Level:** Country & Company **Research Used:** Custodian Bank research, Rankings of economic freedom (Heritage Foundation, Cato Institute), Internal assessment; Country visits. **Frequency:** Continual **Challenges/Comments:** Political and family connections between government and private sector need to be monitored.	3 – Little government influence in resource allocation 2 – Transparent government involvement in resource allocation 1 – Opaque government involvement
17. Legal protection for foreign investors	**Level:** Country **Research Used:** Sub-custodian network **Frequency:** Continual **Challenges/Comments:**	3 – Foreign investors have equality with domestic investors 2 – Foreign investors have different terms but not seriously disadvantages 1 – Foreigners seriously disadvantages
18. Trading and settlement proficiency	**Level:** Country **Research Used:** Sub-custodial network of 3 global custodians. **Frequency:** Periodic **Challenges/Comments:** Working with multiple custodians allows cross-checking of information.	3 – Efficient and accurate system 2 – Some isolated problems 1 – Multiple difficulties
19. Transaction costs	**Level:** Company **Research Used:** Sub-custodian network of 3 global custodians; Evaluation by BECS, Elkins McSharry **Frequency:** At least twice a year. **Challenges/Comments:** Transaction cost viewed as part of stock decision and stock return.	3 – Very low transaction costs 2 – Average transaction costs 1 – High transaction costs